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CENTENNIAL.

One Hundred Years of Progress in the Business of Banking.

Address of the Hon. Elbridge Gerry Spaulding, at the Meeting of the Bankers' Association, at the International Exposition, Philadelphia, May 30, 1876

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CENTENNIAL.

ADDRESS OF

HON. ELBRIDGE GERRY SPAULDING,

AT THE MEETING OF THE

BANKERS' ASSOCIATION,

AT THE OPENING OF THE INTERNATIONAL EXPOSITION IN PHILADELPHIA, MAY, 1876.

GENTLEMEN:

Invoking the continued guidance of the Supreme Ruler of the Universe, who has shaped the destiny of this great country for the last hundred years, I appear here to-day with my fellow Bankers to express our grateful thanks to the governments and people participating in this great International Exposition, for uniting with us to commemorate the patriotic deeds of the departed heroes of the American Revolution. We assemble here with reverence and gratitude to join this vast assembly in paying proper tribute to the heroic men who achieved American Independence. This great Centennial gathering has two objects in view; the first inspires patriotic and grateful feeling for the great work accomplished by the founders of our Republican form of government; the second arouses the pride which we all feel in exhibiting, in common with all other countries, the industry and skill developed in a hundred years of progress.

I revere and honor the patriotic fathers of 1776, for organizing the thirteen English Colonies into an independent Union for self-defence, resulting in successful resistance to the civil and military oppressions of King George the Third. On this hallowed ground, in this historic city, they declared their independence of the British Crown. After long years of hardships, privations and blood, this Union was finally made perpetual by the formation of a Constitutional Government, which went into operation in the City of New York in 1789.

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The illustrious Washington was there inaugurated its first President by the unanimous voice of the American people. Under this constitution we became a nation, having mutual interests and a common destiny; under it we have greatly prospered. The partial development of this Empire of Freedom has thus far brought forth astonishing results. The grand and imposing display of industry and skill we here witness on these beautiful grounds has no parallel in history. The various departments before and around us, exhibit the marvelous progress which has been made in our own country during the last hundred years. Enlarging our view, and taking in the whole of this International Exposition of art, science, agriculture, manufacturing, mining, commerce, including all the various occupations, business and industries of the human race, we behold a greater collection of products which contribute to the well being and social intercourse of mankind, than was ever before known to be exhibited in the history of the world. I feel that I cannot command language adequate to describe the grand Exposition here presented to our admiring view. Each of the departments will have its own speaker to narrate its discoveries and achievements, and record its history. I will, therefore, without further preliminary remarks, proceed at once to speak of the wonderful progress made in the business of banking, which is the part assigned to me on this memorable occasion.

"ONE HUNDRED YEARS OF PROGRESS."

These are significant words when applied to the business of banking within the United States. Marvelous progress has indeed been made. At the time of the Declaration of Independence, there was no organized bank in the thirteen colonies to furnish any aid or support to the Revolutionary Army. Previous to that time merchants assisted in a qualified way in carrying on a limited commerce, and the foreign exchanges were principally furnished by those engaged in shipping to foreign countries. The exchange of commodities was largely carried on in all parts of the colonies by what was called *barter*, namely, exchanging one commodity for another; and the sturdy yeomanry manufactured their own wearing apparel in their own homes. Gold and silver were, however, the basis of the limited foreign commerce then carried on. Now, there are within the United States 907 chartered State banks, 2,118

National banks, 666 savings banks, and 2,375 private bankers; making a total of 6,066 banks and bankers. [See table in the Appendix, which has been furnished to me by Mr. B. Homans, Editor of the *Bankers' Magazine*, New York]. I am not here to present a treatise on banking, but I may, perhaps, with propriety make some general statements respecting its origin, and the general principles which govern the business. In collecting historical facts I have frequently adopted the verbatim statements of those who have previously written upon the subject. The Bank of Venice, the first establishment of the kind in Europe, was established in 1171, and owed its existence to the Crusades, and the necessity of the government obtaining means for conducting these wars. It was originally a bank of deposit, and in the earlier days of the institution these deposits were not subject to draft, as is generally the case with banks of this kind. These deposits could, however, at the pleasure of the owner, be transferred on the books of the bank. This system was at a later period discontinued, and the deposits became subject to draft. This bank continued in existence without interruption until it was overthrown by the revolutionary army of France in 1797.

The Bank of Genoa was projected in the year 1345, but did not go into full operation till 1407. It was for centuries an important institution in that commercial city, but in 1800 it shared the same fate as the Bank of Venice, by being pillaged by the French army under Massena.

The Bank of Amsterdam was founded in 1609, Holland being then possessed of a large foreign trade. This bank was only a bank of deposit, and the money in its possession was transferred on the books of the institution at the pleasure of its owner or owners. The primary object in the establishment of the bank was to give a standard or certain value to bills which might be drawn upon Amsterdam—rendered necessary by the depreciation of the coin owing to its having been worn or clipped. Here these coins were received on deposit, and had their value established by weight or fineness. It was not the design on founding the institution that the funds should at any time be lent out, but should remain in its vaults. However, the directors having lent to the governments of Holland and Friesland a large sum of money, the fact became known on the invasion of the French army, and produced the ruin of the institution. The Bank of Hamburg was established in the

year 1619. This institution is a bank of deposit and circulation, which circulation was based upon fine silver in bars.

BANK OF ENGLAND.

The Bank of England was established in 1694—William and Mary then being on the throne. To the war with France, and the extreme difficulty experienced by the Government in raising funds for that war, is the institution of the monopoly due. Like the earliest of these institutions, the Bank of Venice, it owes its existence to the wants of the Government which gave it life. The idea first originated with Mr. William Patterson, a merchant of London, who readily saw that the Government, which had been paying interest at the rate of from 20 to 40 per cent. per annum, would, without much hesitation, grant exclusive and almost unlimited privileges to such parties as would in turn furnish it with a fixed and permanent loan at a reasonable rate of interest. The plan being brought to the attention of the King, was submitted to the Privy Council, where the details were completed, and it was laid before Parliament. There, however, it met the violent opposition of a formidable party. Nevertheless, the bill was carried by the Government, and on April 25, 1694, became a law. It was provided that the capital, £1,200,000, should be permanently lent to the Government at 8 per cent. per annum; and that in addition to the interest, an allowance of £4,000 per annum should be made by the Government for the management of the debt.

The capital has, at various periods, been as follows: 1694, £1,200,000; 1697, £2,201,171; 1708, £4,402,343; 1709, £5,058,547; 1710, £5,559,996; 1722, £8,959,996; 1742, £9,800,000; 1746, £10,780,000; 1782, £11,642,400; 1816, $14,553,000.

Since first this institution was founded, its capital and the loan to the Government have been nearly identical in amount. The following are the dates of the several renewals of the charter, with the amount of Government debt at each period, to wit: 1694, £1,200,000; 1697, £1,200,000; 1708, £3,375,027; 1713, £3,375,027; 1742, £10,700,000; 1764, £11,686,800; 1781, £11,686,800; 1833, £11,015,100; 1844, £11,015,100.

The management of the entire public debt of Great Britain is placed in the hands of the Bank of England, for which service it has received compensation which has from time to time varied in amount, according to circumstances. During the year 1845 this compensation was £94,111 19s. 10d.

The Bank of England is a striking example of the combined power of public authority and private influence in sustaining the Government of England, as well as the agricultural, manufacturing and commercial business of that empire. This bank has been the chief agent in sustaining the British Government in the long and exhausting wars in which she has been engaged. It has also been an important aid to the industry and commercial prosperity of its people, and the business of the country has greatly prospered.

The Bank of England is the fiscal agent of the Government. It receives and disburses all the public monies; and notwithstanding it is a bank of discount, deposit and circulation, it has thus far conducted the business in a very satisfactory manner, and without the loss of any of the money entrusted to it. It has been in operation 182 years, and the United States Government may safely profit by this example.

There was neither a regularly organized Treasury Department, nor an organized bank, during the first years of the War for Independence, and consequently great embarrassments were experienced in raising the means to prosecute the war. Hon. Robert Morris, an able, experienced financier and true patriot, was very efficient in managing the fiscal affairs of the country. On his own responsibility he frequently borrowed large sums of money for the use of the Government, which, on account of its known embarrassed condition, could not be procured in any other way. In June 1780, Mr. Morris, in conjunction with other patriotic citizens of Philadelphia, effected a temporary organization by means of which 3,000,000 rations of provisions and 300 hogsheads of rum were forwarded to the army. On February 20, 1781, he was unanimously elected Superintendent of Finance, and by subsequent resolutions of the Continental Congress, was invested with almost the entire control of the financial affairs of the Government. At this time the Treasury was more than $2,500,000 in debt for current expenses, the army destitute, and the credit of the country exhausted.

During the financial administration of Mr. Morris, he several times pledged his private credit for public supplies. In the beginning of 1781, he furnished the suffering army with several thousand barrels of flour; and in the campaign of that year, he supplied nearly everything required for the advance upon the British army

under Cornwallis. For this purpose, and as a part of the means used, he issued his own notes to the amount of $1,400,000, which were finally paid.

Our acknowledgements are also due to the French Government and people, for the timely and efficient aid rendered the United States Government, which resulted in compelling Lord Cornwallis to surrender the British forces at Yorktown to the American army under the command of General Washington, in October, 1781.

BANK OF NORTH AMERICA.

The first bank organized in the United States was the Bank of North America, at Philadelphia, in 1781. This institution was established under the auspices of Mr. Morris, Superintendent of Finance, and a delegate to the Continental Congress from the State of Pennsylvania.

During the year preceding its incorporation, the finances and credit, both of the States and of the Continental Congress, were, as before stated, almost entirely exhausted. In order to procure supplies for the support of the army, Congress and several of the State Governments had been obliged to have recourse to the issuing of bills of credit, which was the principal circulating medium.

On May 10, 1775, soon after the battle of Lexington, Congress made provision to issue Continental paper to circulate as money—$2,000,000 of which were put in circulation, commencing five days after the memorable battle of Bunker Hill.

From month to month these issues, which in the aggregate reached $350,000,000, depreciated until eventually they became entirely valueless, notwithstanding the laws making them a legal tender for private debts. Until the issues exceeded $9,000,000 Continental currency, according to the concurrent testimony of Mr. Jefferson and Mr. Paine, passed at its nominal value. The depreciation was afterwards very great. In May, 1781, this currency ceased to circulate as money, but was afterwards bought on speculation at various prices, from 400 to one, up to 1,000 to one. On May 17, 1781, a plan for a National Bank having been submitted to the Continental Congress, the principal provisions of which were as follows: The capital to be $400,000, in shares of $400 each; that there be twelve directors chosen from those entitled to vote, who at their first meeting shall choose one as president; that the directors meet quarterly; that the board be empowered, from time

to time, to open new subscriptions for the purpose of increasing the capital of the bank; statements to be made to the Superintendent of the Finances of America; that the bank notes payable on demand shall by law be made receivable in the duties and taxes of every State, and from the respective States by the Treasury of the United States; that the Superintendent of the Finances of America shall have a right at all times to examine into the affairs of the bank. On May 26, Congress passed the following: "*Resolved*, That Congress do approve of the plan for the establishment of a National Bank in these United States, submitted for their consideration by Mr. R. Morris, May 17, 1781, and that they will promote and support the same by such ways and means, from time to time, as may appear necessary for the institution and consistent with the public good; that the subscribers to the said bank shall be incorporated agreeably to the principles and terms of the plan under the name of 'The President, Directors and Company of the Bank of North America.' So soon as the subscription shall be filled, the president and directors chosen, an application for that purpose was made to Congress by the president and directors elected." On December 31, following, Congress passed "an ordinance to incorporate the subscribers to the Bank of North America." The first president was Thomas Willing, and the bank formed a most important auxiliary in aid of the finances of the Government to the final conclusion of the war. This institution was incorporated by the State of Pennsylvania on April 18, 1782. The bank commenced business in January, 1782, with a capital of $400,000, of which $250,000 was subscribed by the Government. In the year 1785, when an ill-feeling had arisen between the Government of the State of Pennsylvania and the bank, the former repealed the charter which it had granted in 1782. The bank, however, continued its operations under the charter granted by the General Government until in 1787, when it was re-chartered by the State of Pennsylvania. It has, from to time, been re-chartered and in 1865 it organized under the National Bank law, and now has a capital of $1,000,000, and a surplus of the same amount.

Previous to the time when this bank went into operation, the Continental army became very much reduced; the necessary articles of clothing and provisions could not easily be procured, the soldiers became dissatisfied, and fears were entertained that the campaign must terminate unfavorably, or in a relinquishment of

everything for which the American people were then contending. Owing, however, to the timely aid of Mr. Morris, and other patriotic citizens, and the support given to the financial department of the Government by the establishment of this bank, confidence was in a great measure restored to the army, provisions and supplies were obtained, fresh vigor was infused among the troops, and to it and the efforts of Mr. Morris may be ascribed the expulsion of the British from the Southern States, and the termination of the conflict that secured American Independence by a treaty of peace in 1782-3. Some further details in regard to the Bank of North America will be found in the Appendix.

BANK OF NEW YORK—1784.

This was the first organized bank in New York. Its business was commenced as an association without charter on 9th of June, 1784, under the name of "The President, Directors and Company of the Bank of New York," in the Walton House, Franklin Square, then known as 159 Queen street.

The first president was General Alexander McDougall; cashier, William Seton.

In 1786, Isaac Roosevelt, President; William Maxwell, Vice-President; Directors—Samuel Franklin, Nicholas Low, Daniel McCormick, Robert Brown, Thomas Houghton, Joshua Waddington, Comfort Sands, Thomas Randall, Gen. ALEXANDER HAMILTON, John Vanderbilt, James Buchanan.

The bank removed to Hanover Square and continued business as an association until 1791, when on the 21st of March of that year a charter was granted by the Legislature of New York for a period of twenty years, with a capital of $900,000, divided into 1,800 shares of $500 each, with the addition of a subscription on the part of the State of 100 shares of the same amount—total, $950,000. Business under the charter began May 2, 1791.

On the 18th of May, 1752, the Bank of New York was reorganized as an association under the general banking law of the State of New York, with the name and title of "The Bank of New York," and the capital increased to $2,000,000. On the 17th of April, 1857, the capital was increased to $3,000,000, and on July 6, 1865, it was organized under the National Bank act under the name of "Bank of New York National Banking Association." The accompanying Appendix contains further details in regard to this bank.

THE BANK OF THE MANHATTAN COMPANY,

in the City of New York, was organized under an act of the Legislature of the State of New York, passed April 2, 1799, with a capital of $2,000,000. The chief object of the act appearing on its face, was to supply water to the City of New York, but there was a section in the act which, it was claimed, conferred perpetual banking powers. The words in the act were that the corporation might employ its surplus capital "in the purchasing of public or other "stock, or in any other moneyed transactions or operations not "inconsistent with the Consitution and laws of this State or of the "United States." The first directors were Daniel Ludlow, John Watts, John B. Church, Brockholst Livingston, William Edgar, William Laight, Pascal A. Smith, Samuel Osgood, John Stevens, John Broome, John B. Coles, AARON BURR.

On the 25th of March, 1808, it was authorized to increase the capital stock $50,000, and it is now carrying on business with a capital of $2,050,000.

The Bank of the Manhattan Company is the fiscal agent of the State of New York in the City of New York. It keeps a registry of the State stocks, pays the interest, and also makes the transfers on the books, under the general supervision of the State Comptroller and Treasurer.

THE MERCHANTS' BANK

is the third of the old banks organized in the City of New York. Like the Bank of New York, it was first organized as a "Company or Limited Partnership" in 1803, with a capital of $1,250,000. On the 26th of March, 1805, an act was passed "to incorporate the stockholders of the Merchants' Bank." On the 2d of February, 1831, the charter was renewed (subject the provisions of the Safety Fund Act of New York, which was passed April 2, 1829), with authority to continue its business until January 1, 1857. It subsequently organized under the General Banking Law of New York, and in June, 1865, it organized under the National Bank Act, and its present capital is $3,000,000. (See Appendix for further details.)

BANK OF MASSACHUSETTS.

The Bank of Massachusetts at Boston, was the first bank organized in the New England States.

During the latter portion of year 1783, a movement was made in the town of Boston, Mass., to obtain subscriptions for the Capital Stock of a Bank, under the following preamble.

"Taught by the experience of many nations, that well regulated Banks are highly useful to society, as they promote punctuality in the performance of contracts, increase the medium of trade—facilitate the payment of taxes,—prevent the exportation of and furnish a safe deposit for cash; and in the way of discount, render easy and expeditious the anticipation of funds at the expense only of common interest; whilst by the same means, they advance the interest of the proprietors: We the subscribers, desirous of promoting such an institution, do hereby engage to take the number of shares set against our respective names, in a bank to be established in the town of Boston."

Under the foregoing preamble, the requisite number of subscribers were readily obtained, and at the Session of the Legislature of Massachusetts, which opened on the first Wednesday in January, 1784, a petition was presented for a Bank Charter, by a committee of the subscribers for stock, consisting of William Phillips, Isaac Smith, Jonathan Mason, Thomas Russell, John Lowell and Stephen Higginson, Esquires.

Upon their application, and after due deliberation, a bill was enacted under the name of the President and Directors of the Massachusetts Bank, with a capital not to exceed Five Hundred Thousand pounds, which bill was passed on the 7th day of February, 1784, signed by

TRISTRAM DALTON,
Speaker of the House of Rep's.

SAMUEL ADAMS,
President of the Senate.

Approved,

JOHN HANCOCK,
Gov'r of ye Commonwealth.

This bank commenced business July 5th, 1784, with a capital of $300,000, at which time it opened an account with the Bank of North America, Philadelphia, and the Bank of New York, and these are continued with the Massachusetts bank to the present time. In 1865 this bank was organized under the National Bank Act, and its present capital is $800,000. For further details in regard to it, and also for a list of all the early State Banks, with

the dates of their organization and the amount of capital stock of each, will be found in the Appendix. William A. Clark, President of the National Bank of Rhode Island at Newport, is probably the oldest active bank officer in the country. In a recent letter he says: "I have continued in this institution in different capacities fifty-eight years, having entered it as clerk in the A. D., 1818. Mr. Mygatt, the United States Bank examiner says, that I am probably the oldest bank officer in the country. I have outlived every man on the books doing business with the bank at that time, and also every stockholder and director."

Under the old confederation formed in 1777, the evils arising from the want of a uniform currency, redeemable in gold on demand, under some general control, were severely felt, and was one of the causes that led to the adoption of the federal constitution, which became operative in 1789.

Upon the organization of our present government, the currency of the country, and the establishment of the public credit, were among the first subjects of legislation that engaged the attention of Congress; accordingly by a resolution of that body of the 9th of August, 1790, that peerless stateman, Alexander Hamilton, Secretary of the Treasury, was required to prepare and report to them such further provision as might, in his opinion, be necessary for establishing the public credit. Pursuant to this resolution, the Secretary of the Treasury, on the 13th of December following, made a report upon the subject referred to him, in which he recommended the establishment of a National Bank.

The following extracts from the report of Mr. Hamilton upon the subject, will show the principal reasons urged by him in favor of

THE FIRST UNITED STATES BANK.

"That from a conviction that a National Bank is an institution of primary importance to the prosperous administration of the finances, and would be of the greatest utility in the operations connected with the support of the public credit, his attention has been drawn to devising the plan of such an institution, upon a scale which will entitle it to the confidence, and be likely to render it equal to the exigencies of the public. * * * * *

"It is a fact well understood, that public banks have found admission and patronage among the principal and most enlightened commercial nations. They have successfully obtained in Italy, Germany, Holland, England, and France, as well as in the United States, and it is a circumstance which cannot but have considerable weight, in a candid estimate of their tendency, that, after an

experience of centuries there exists not a question about their utility, in the countries, in which they have been so long established. Theorists and men of business unite in the acknowledgement of it.

"Trade and industry, wherever they have been tried, have been indebted to them for important aid, and Government has been repeatedly under the greatest obligations to them in dangerous and distressing emergencies. That of the United States, as well in some of the most critical conjunctures of the late war, as since the peace, has received assistance from those established among us, with which it could not have dispensed.

"With this two-fold evidence before us, it might be expected that there would be a perfect union of opinions in their favor. Yet doubts have been entertained; jealousies and prejudices have circulated; and, though the experiment is every day dissipating them, within the spheres in which the effects are best known, yet there are still persons by whom they have not been entirely renounced. To give a full and accurate view of the subject, would be to make a treatise of a report; but there are certain aspects in which it may be cursorily exhibited, which may perhaps conduce to a just impression of its merits. These will involve a comparison of the advantages with the disadvantages, real or supposed of such institutions.

"The following are among the principal advantages of a bank.

"First, the augmentation of productive capital of a country. Gold and silver, when they are employed merely as the instruments of exchange, alienation, have been not improperly denominated dead stock; but when deposited in banks, to become the basis of a paper circulation, which takes their character and place, as the signs or representations of value, they then acquire life, or in other words, an active and productive quality.

"Deposits are of immense consequence in the operations of a Bank. Though liable to be drawn at any moment, experience proves that the money so much oftener changes proprietors than place, and that what is drawn out is generally so speedily replaced, as to authorize the counting upon the sums deposited as an effective fund, which concurring with the stock of the bank, enables it to extend its loans, and to answer all the demands for coin, whether in consequence of these loans or arising from the occasional return of its notes. These different circumstances explain the manner in which the ability of a bank to circulate a greater sum than its actual capital in coin is acquired. This, however, must be gradual, and must be preceded by a firm establishment of confidence,—a confidence which may be bestowed on the most rational grounds, since the excess in question will always be bottomed on good security of one kind or another. This, every well-conducted bank carefully requires before it will consent to advance either its money or its credit,—and where there is an auxiliary capital (as will be the case in the plan hereafter submitted), which, together with the capital in coin, define the boundary that shall not be exceeded by the engagements of the bank. The security may, consistently with all the maxims of a reasonable circumspec-

tion, be regarded as complete. The same circumstances illustrate the truth of the position, that it is one of the properties of banks to increase the active capital of a country. This, in other words, is the sum of them: The money of one individual, while he is waiting for an opportunity to employ it, by being either deposited in the bank for safe keeping, or invested in its stocks, is in a condition to administer to the wants of others without being put out of his own reach when occasion presents. This yields an extra profit, arising from what is paid for the use of his money by others, when he could not himself make use of it, and keeps the money itself in a state of incessant activity.

"Purchases and undertakings, in general, can be carried on by any given sum of bank paper or credit as effectually as by an equal sum of gold and silver. And thus, by contributing to enlarge the mass of industrious and commercial enterprises, banks become nurseries of national wealth,—a consequence as satisfactorily verified by experience as it is clearly deducible in theory.

"Secondly, greater facilities to the Government in obtaining pecuniary aids, especially in sudden emergencies. This is another and an undisputed advantage of public banks—one which, as already remarked, has been realized in signal instances among ourselves. The reason is obvious; the capitals of a great number of individuals are, by this operation, collected to a point and placed under one direction. The mass formed by this union is, in a certain sense, magnified by the credit attached to it; and while this mass is always ready, and can at once be put in motion in aid of the Government, the interest of the bank to afford that aid, independent of regard to the public safety and welfare, is a sure pledge for its disposition to go as far in its compliances as can in prudence be desired. There is in the nature of things, as will be more particularly noticed in another place, an intimate connection of interest between the Government and the bank of a nation.

"Thirdly, the facilitating of the payment of taxes. This advantage is produced in two ways. Those who are in a situation to have access to the bank, can have the assistance of loans to answer, with punctuality, the public calls upon them. This accommodation has been sensibly felt in the payment of the duties heretofore laid by those who reside where establishments of this nature exist."

* * * * * * * *

On the reception in the Senate of the report, from which are made the foregoing extracts, the same was referred to a committee consisting of Messrs. Strong, of Massachusetts; Morris, of Pennsylvania; Schuyler, of New York; Butler, of South Carolina, and Ellsworth, of Connecticut. On the 3d of January, 1791, Mr. Strong, chairman of the committee, reported a bill "to incorporate the subscribers to the Bank of the United States."

The history of this bill, on its passage through the Senate, is to be learned only from the Journals of that body. Its debates and proceedings were not then, as now, open to the public. Such

extracts from the Journal as appear to be most essential, are herewith given:

A motion was made to subjoin to a certain clause, the following words:

"Provided, nevertheless, that nothing herein contained shall be construed to exclude the right to amend the same (the bank charter), on giving twelve months notice, from and after the first of January, 1800." It passed in the negative. (Yeas and nays not given.)

On the nineteenth of January, a motion being made to expunge the twelfth section, to wit:

"And be it further enacted, That no other bank shall be established, by any future law of the United States, during the continuance of the corporation hereby created, for which the faith of the United States is hereby pledged." Passed in the negative. (Yeas and nays not given.)

Twentieth January, 1791. On motion to reconsider the term of incorporation, and limit it to the year 1801 instead of 1811, the vote stood as follows:

Yeas.—Messrs. Butler, Few, Gunn, Hawkins, Izard and Monroe —6.

Nays.—Messrs. Bassett, Dalton, Dickinson, Ellsworth, Elmer, Foster, Johnson, King, Langdon, Maclay, Morris, Read, Schuyler, Stanton, Strong and Wright—16.

Whereupon, Resolved, that this bill do pass. (The yeas and nays are not given. It is, however, supposed that the vote was unanimous.)

The bill was then sent to the House for concurrence.

On the twenty-first of January, 1791, the bill (in the House of Representatives), was read a first and second time, and committed to a committee of the whole House.

On the twenty-first of January, the House resolved itself into a committee of the whole (Mr. Boudinot in the chair), and the bill was read by paragraphs, and no amendments being offered, the chairman reported it to the House, which voted that it should be read a third time the next day.

Chief Justice Marshall, in his life of Washington, says (vol. 5, pages 294 to 298):

"On the final question, a great, and it would seem, an unexplained opposition was made to its passage. Mr. Madison, Mr. Giles, Mr. Jackson and Mr. Stone spoke against it. The general utility of banking systems was not admitted, and the particular bill before the House was censured on its merits; but the great

strength of the argument was directed against the constitutional authority of Congress to pass an act for incorporating a National Bank."

"The Government of the United States, it was said, was limited; and the powers which it might legitimately exercise were enumerated in the constitution itself."

"The clause which enables Congress to pass all laws necessary and proper to execute the specified powers, must, according to the natural and obvious force of the terms and the context, be limited to the means necessary to the end, and incident to the nature of the specified powers. The clause, it was said, was in fact merely declaratory of what would have resulted by unavoidable implication as the appropriate, and as it were technical means of executing those powers. Some gentlemen observed that 'the true exposition of a necessary mean, without which, the end could not be produced.' The bill was supported by Mr. Ames, Mr. Sedgwick, Mr. Smith, of South Carolina, Mr. Lawrence, Mr. Boudinot, Mr. Gerry and Mr. Vining."

"The utility of banking institutions was said to be demonstrated by their effects. In all commercial countries they had been resorted to as instruments of great efficacy in mercantile transactions; and even in the United States, their public and private advantages had been felt and acknowledged.

"Respecting the policy of the measure, no well-founded doubt could be entertained; but the objections to the constitutional authority of Congress deserved to be seriously considered.

"That the Government was limited by the terms of its creation was not controverted, and that it could exercise only those powers which were conferred on it by the constitution was admitted. If, on examination, that instrument should be found to forbid the passage of the bill, it must be regretted, though it would be with deep regret that its friends would suffer such an opportunity of serving their country to escape for the want of a constitutional power to improve it.

"In asserting the authority of the Legislature to pass the bill, gentlemen contended, that incidental as well as express powers must necessarily belong to every Government; and that, when a power is delegated to effect particular objects, all the known and usual means of effecting them must pass as incidental to it. To remove all doubt on this subject, the Constitution of the United States had recognized the principle by enabling Congress to make 'all laws which may be necessary and proper for carrying into execution the powers vested in the Government.' They maintained the sound construction of an authority in the National Legislature, to employ all the known and usual means for executing the powers vested in the Government. They then took a comprehensive view of those powers, and contended that a bank was a known and usual instrument by which several of them were exercised. (See opinion of Chief Justice Marshall in the case of McCulloch vs. State of Maryland, 4 Wheat R., 422.)

"After a debate of great length, which was supported on both sides with ability, and with ardor which was naturally excited by

the importance attached by each party to the principle in contest, the question was put, and the bill was carried in the affirmative by a majority of twelve voices."

The following were the ayes and nays on the final question,—"Shall the bill pass?":

Ayes—39. Messrs. Fisher Ames, Mass.; Egbert Benson, N. Y.; Elias Boudinot, N. J.; Benjamin Boorn, R. I.; Lambert Cadwallader, N. J.; George Clymer, Pa.; Thomas Fitzsimmons, Pa.; William Floyd, N. Y.; Abiel Foster, N. H.; Elbridge Gerry, Mass.; Nicholas Gilman, N. H.; Benjamin Goodhue, Mass.; Thomas Hartley, Pa.; John Hathorn, N. Y.; Daniel Heister, Pa.; Benjamin Huntington, Conn.; John Lawrence, N. Y.; George Leonard, Mass.; Samuel Livermore, N. H.; Peter Muhlenberg, Pa.; George Partridge, Mass.; Jerem Van Rensselaer, N. Y.; James Shureman, N. J.; Thomas Scott, Pa.; Theodore Sedgwick, Mass.; Joshua Seney, Md.; John Sevier, N. C.; Roger Sherman, Conn.; Thomas Sinnickson, N. Y.; Peter Sylvester, N. Y.; William Smith, Md.; William Smith, S. C.; John Steele, N. C.; Jonathan Sturgess, Conn.; George Thatcher, Mass.; Jonathan Trumbull, Conn.; John Vining, Del.; Jeremiah Wadsworth, Conn.; Henry Wyncoop, Pa.

Nays—19. Messrs. John Baptiste Ashe, N. C.; Abraham Baldwin, Ga.; Timothy Bloodgood, N. C.; John Brown, Va.; Edanus Burke, S. C.; Daniel Carrol, Md.; Benjamin Contee, Md.; Jonathan Grout, Mass.; William B. Giles, Va.; James Jackson, Ga.; Richard Bland Lee, Va.; James Madison, Jr., Va.; George Mathews, Ga.; Andrew Moore, Va.; Josiah Parker, Va.; Michael Jenifer Stone, Md.; Thomas Tudor Tucker, S. C.; Alexander White, Va.; Hugh Williamson, N. C.

The following abstract of the first five clauses of the charter will give an idea of the act: 1. The capital shall be $10,000,000, to be divided into 25,000 shares of $400 each.

2. Any person, copartnership, or body politic, may subscribe for such number of shares as he, she, or they may think proper, not exceeding 1,000, except as regards the subscription of the United States. The subscriptions, except those of the United States, shall be payable one-quarter in gold and silver, and the remaning three-quarters in certain 6 per cent. stocks of the United States. 3. The subscribers are incorporated under the name and style of "The President, Directors and Company of the Bank of the United States," and to continue until March 4, 1811. The bank is authorized to hold property of all kinds, inclusive of its capital, to the amount of $15,000,000. 4. Twenty-five directors are to be

elected, by a plurality of votes caston the first Monday in January of each and every year, for one year only, and the directors are empowered to choose one of their number for President. 5. As soon as the sum of $400,000 is received on account of the subscriptions, in gold and silver, on proper notice being given, the bank may be organized.

The point which had been agitated with so much zeal in the House of Representatives, was examined no less deliberately by President Washington. Thomas Jefferson, Secretary of State, and Edmund Randolph, Attorney-General, concurred in opinion that Congress had transcended their constitutional powers in passing the bill; while Alexander Hamilton, Secretary of the Treasury, with equal clearness, maintained the opposite opinion, in which General Knox, Secretary of War, concurred. The advice of each minister, with his reasons in support of it, was required in writing.

A perusal of the arguments used on the occasion by the heads of departments would afford much gratification to the curious, but the limits prescribed for this historical sketch will not permit the introduction of such voluminous papers. (For an examination of them at full length, the reader is referred to the "Legislative and Documentary History of the Bank of the United States," published at Washington by Gales and Seaton, 1832; p. 82 to 112.)

An outline, however, of that train of reasoning with which each opinion was supported, and on which the judgment of the executive was most probably formed, will be briefly stated.

Opinion of Thomas Jefferson, Secretary of State:

"To prove that the measure was not sanctioned by the Constitution, the general principle was asserted that the foundation of that instrument was laid on the ground, 'that all powers not delegated to the United States by the Constitution, nor prohibited to it by the States, are reserved to the States or to the people.' To take a single step beyond the powers thus specially drawn around the powers of Congress, is to take possession or a boundless field of power no longer susceptible of definition.

"The power in question was said not to be among those which were specially enumerated, nor to be included within either of the general phrases which are to be found in the Constitution. The article which contains this enumeration was reviewed; each specified power was analyzed, and the creation of a corporate body was declared to be distinct from either of them.

The general phrases are:

"First, to lay taxes to provide for the general welfare of the United States. The power here conveyed, it was observed, was 'to levy taxes.'

"The purpose was, 'the general welfare.' Congress could not lay taxes *ad libitum*, but could only lay them for 'the general

welfare;" nor did this clause authorize that body to provide for 'the general welfare' otherwise than by laying taxes for that purpose.' Secondly, 'To make all laws which shall be necessary and proper for carrying into execution the enumerated powers. But they can all be carried into execution without a bank A bank, therefore, is not necessary, and consequently unauthorized by this phrase.

"It had been much urged that a bank would give great facility and convenience in the collection of taxes. Suppose this were true; yet the Constitution allows only the means which are necessary, not those which are convenient. If such a latitude of construction be allowed this phrase, as to give any non-enumerated power, it will go to every one; for there is no one which ingenuity may not torture into convenience, in some way or other, to some one of so long a list of enumerated powers. It would swallow all the list of enumerated powers and reduce the whole to one phrase. Therefore, it was that the Constitution restrained them to necessary means—that is to say, to those means without which the grant of power would be nugatory.

"The existing State Banks would, without doubt, enter into arrangement for lending their agency. This expedient alone suffices to prevent the existence of that necessity when it may justify the assumption of a non-enumerated power as a means of carrying into effect an enumerated one. It may be said that a bank whose bills would have a currency all over the States, would be more convenient than one whose currency is limited to a single State. So it would be still more convenient that there should be a bank whose bills should have a currency all over the world; but it does not follow from this superior conveniency, that there exists anywhere a power to establish such a bank, or that the world may not go on very well without it.

"For a shade or two of convenience, more or less, it cannot be imagined that the Constitution intended to invest Congress with a power so important as that of creating a corporation."

Substance of the opinion of Mr. Hamilton, Secretary of the Treasury, in support of the bill.

In supporting the constitutionality of the act, it was laid down as a general proposition

"That every power vested in a government is, in its nature, sovereign, and includes by force of the term a right to employ all the means requisite and fairly applicable to the attainment of the ends of such power; and where it is not precluded by restrictions and exceptions specified in the Constitution and not immoral, are not contrary to the essential ends of political society. This principal, in its application to government in general, would be admitted as an axiom; and it would be incumbent on those who might refuse to acknowledge its influence in American affairs to prove a distinction; and to show that a rule which, in the general system of things, is essential to the preservation of the social order, inapplicable to the United States. The circumstance that the powers of

sovereignty are divided between the National and State Governments, does not afford the distinction required.

"If it could be necessary to bring proof of a proposition so clear as that which affirms the powers of the Federal Government, as to its objects, were sovereign, there is a clause in the Constitution which is decisive. It is that which declares the Constitution of the United States, the laws made in pursuance of it, and the treaties made under its authority to be the supreme law of the land, the power which can create the supreme law in any case, is doubtless sovereign as to such case.

"That the Government of the United States can exercise only those powers which are delegated by the Constitution, is a proposition not to be controverted; neither is it to be denied, on the other hand, that these are implied as well as express powers, and that the former are as effectually delegated as the latter. For the sake of accuracy, it may be observed, that there are also resulting powers. It would not be doubted that if the United States should make a conquest of any of the territories of its neighbors, they would possess sovereign jurisdiction over the conquered territory. This would rather be a result of the whole mass of the powers of the Government, and from the nature of political society, than a consequence of either of the powers especially enumerated. This is an extensive case in which the power of creating corporations is either implied in, or would result from some or all of the powers vested in the National Government.

"A corporation may be created in relation to the collection of taxes, or to the trade with foreign countries, or between the States or with the Indian tribes, because it is in the province of the Federal Government to regulate those objects, and because it is incident to a general sovereign or legislative power to regulate a thing, to employ all the means which relate to its regulation, to the best and greatest advantage."

"A strange fallacy seems to have crept into the manner of thinking and reasoning upon this subject. The imagination has presented an incorporation as some great, independent, substantive thing:—as a political end of peculiar magnitude and moment; whereas it is truly to be considered as a quality, capacity, or mean to an end. Thus a mercantile company is formed with a certain capital for the purpose of carrying on a particular branch of business. The business to be prosecuted is the end. The Association, in order to form the requisite capital is the primary means.

"It is certain that neither the grammatical nor popular sense of the term necessary requires that construction. According to both, necessary means no more than needful, requisite, useful, or conducive to. It is a common mode of expression to say that it is necessary for a Government or person to do this or that thing, where nothing more is intended or understood than that the interests of the Government or person require, or will be promoted by doing this or that thing."

"This is the true sense in which the word is used in the Constitution. The whole tenor of the clause containing it indicates an intent to give by it a liberal latitude to the exercise of specified

powers. The expressions have peculiar comprehensiveness. They are 'to make all laws necessary and proper for carrying into execution the foregoing powers, and all other powers vested by the Constitution in the Government of the United States, or in any department or office thereof.' To give the word, 'necessary,' the restrictive operation contended for, would not only depart from its obvious and popular sense, but would give it the same force as if the word absolutely or indispensably had been prefixed to it."

"The degree in which a measure is necessary, can never be a test of the legal rights to adopt it. The relation between the measure and the end; between the nature of the means employed towards the execution of a power, and the object of that power, must be the criterion of constitutionality, not the more or less necessity or utility."

"While, on the one hand, the restrictive interpretation of the word necessary is deemed inadmissable, it will not be contended, on the other, that the clause in question gives any new and independent power. But it gives an explicit sanction to the doctrine of implied powers, and is equal to an admission of the proposition that the Government, as to its specified powers and objects, has plenary and sovereign authority. It is true that the power to create corporations is not granted in terms. Neither is the power to pass any particular law, nor to employ any of the means by which the ends of the Government are to be obtained.

"The power of the Government then to create corporations in certain cases being shown, it remained to inquire into the right to incorporate a banking company in order to enable the more effectually to accomplish ends which were in themselves lawful."

"To establish such a right it would be necessary to show the relation of such an institution to one or more of the specified powers of Government."

"It was then affirmed to have a relation more or less direct to the power of collecting taxes, to that of borrowing money, to that of regulating trade between the States, to those of raising, supporting, and maintaining fleets and armies; and in the last place to that which authorizes the making of all needful rules and regulations concerning the property of the United States, as the same had been practised upon by the Government."

The Secretary of the Treasury next proceeded, by a great variety of arguments and illustrations, to prove the position that the measure in question was a proper mean for the execution of the several powers which were enumerated, and also contended that the right to employ it resulted from the whole of them taken together. To detail those arguments would occupy too much space, and is the less necessary because their correctness obviously depends on the correctness of the principles which have been already stated.

The opinion of each Minister was considered by President Washington with all that attention which the magnitude of the ques-

tion, and the interest taken in it by the opposing parties, so eminently required. This deliberate investigation of the subject terminated in a conviction, that the Constitution of the United States authorized the measure, and the sanction of the Executive was given to the act by George Washington, July 25, 1791. (Substance of Marshall's life of Washington, vol. 5. p. 297.)

About the time the bank went into operation, the French revolution broke out. This event produced an increased demand, and an increased price for our agricultural productions. Owing to the facilities afforded by the bank to the trading community, added to the judicious provisions of the act of Congress, of July 20, 1790, imposing a duty of fifty cents a ton upon all foreign vessels entering any port of the United States, while a duty of only six cents a ton was laid on American built vessels, and owned wholly by a citizen or citizens of the United States, the products of our soil, which before had been in a languishing condition, met with a brisk and profitable sale; and our commerce, about one-half of which had been before engrossed by foreigners, was almost exclusively secured to our own citizens. The system seemed to operate like magic in favor of the shipowners of the United States.

Great advantages, and beneficial results, in consequence of the establishment of a National Bank, were generally experienced by the Government, and by every class of community, during the continuance of its charter,—the public funds were kept in a safe depository,—the credit of the nation was established upon a firm and solid basis,—the demands of public creditors were promptly paid, at places convenient to them, and in a currency equal to gold or silver, in all parts of the United States. The Government realized a profit of $671,860 on the sale of two millions of its stock. A salutary restraint was exercised upon State Banks, as to the amount of their issues, and as to a failure in promptly redeeming their bills in specie,—a reasonable amount of circulating medium was afforded to the community, whereby the industry of the country was brought into profitable and successful operation, and a steady, uniform, and safe currency was afforded to every one.

During the period covered by the charter of the first United States Bank, the population increased from 3,929,827 in 1790, to 7,239,814, and 89 new banks were created under State charters with an aggregate capital of $40,601,601. This was no more than was demanded by the increased volume of business. The country

flourished in all the essential elements of wealth and power. "Public and private credit was raised from its prostrate condition at the close of the war, to a very elevated condition, and the finances of the nation were placed upon the most solid foundation." There was reasonable ground to hope that an institution which had proved so beneficial to the country, would be preserved and cherished as the continuing base on which might be permanently established the industrial and commercial policy of the Government.

SECOND UNITED STATES BANK—1816.

The charter of the First United States Bank expired March 4, 1811. On the 20th of April, 1808, a memorial of the stockholders of the Bank petitioning for a renewal of their charter, was presented to the Senate of the United States, who ordered "that the same be referred to the Secretary of the Treasury, to consider and report thereon at the next session of Congress." On the 2d of March, 1809, Mr. Gallatin, then Secretary of the Treasury, made a report upon the subject, and in favor of renewing the charter. After giving a detailed statement of the general operations of the bank, he says: "It sufficiently appears from that general view, that the affairs of the Bank of the United States, considered as a moneyed institution, have been wisely and skillfully managed;" but no definite action was had at that session of Congress.

On the 18th of December, 1810, the subject was referred in the Senate to a select committee consisting of Messrs. Crawford (Ga.), Lieb (Pa.), Lloyd (Mass.), Pope (Ky.), and Anderson (Tenn.). On the 29th of January, 1811, the committee addressed a note to the Secretary of the Treasury, requesting him, among other things, "to furnish the committee with the facts and reasoning upon which his opinion has been formed, together with other information upon the subject as might be in his possession."

On the 30th of January, 1811, the Secretary of the Treasury addressed a letter to the committee, giving some additional views in favor of a re-charter of the bank, and closed his communication by saying, "the continuation of a bank of the United States has not, in the view which I have been able to take of the subject, appeared to me unconstitutional."

On the 5th of February, 1811, Mr. Crawford reported a bill to

amend and continue in force, an act entitled "An Act to incorporate the subscribers to the Bank of the United States;" also a copy of the letter (aforementioned) of the Secretary of the Treasury, of the 30th of January, 1811.

The provisions of the bill are said to have been, in a great measure, conformable to the views of the Secretary of the Treasury, contained in his able report. The question on the passage of the bill was debated with warmth and animation for several days. The principal speakers in its favor were Crawford (late Secretary of the Treasury, Lloyd (Mass.), Pope (Ky.), Pickering (Mass.), and Taylor (S. C.). Those in opposition were Anderson (Tenn.), Leib (Pa.), Smith (Md.), Giles (Va.), and Clay (Ky.).

For a perusal of the speeches delivered on the occasion, the reader is referred to "Legislative and Documentary History of the Bank of the United States," by Gales & Seaton, p. 302 to 446.

Those opposed to a re-charter urged that the creation of corporations was not authorized by the Constitution, and that the bank was unconstitutional; that the article in the Constitution giving Congress authority "to make all laws which shall be necessary and proper for carrying into execution" the delegated powers, did not warrant the establishment of a bank; that a bank was not "necessary," in the sense of the Constitution, to carry into effect the collection of the revenues; that State banks could be employed as a public depositary; that the bank was an aristocratic institution, and calculated to acquire an influence inimical to our republican institutions; that foreigners held a large amount of the stock, and in case of war the stockholders might exercise an influence dangerous to the Government; that State banks could supply all the wants of the Government on any emergency, and that the resources of the country, added to the patriotism of the people, were a sufficient guaranty against sudden embarrassments.

Those in favor of a re-charter urged, that the right of the National Government to charter a bank as a fiscal agent to the Government, was clearly one of the incidental powers of Congress—that Mr. Jefferson, who was at first strenuously opposed to it upon constitutional grounds, had virtually assented to its constitutionality, by signing a bill establishing a branch at New Orleans. That the bank was indispensibly necessary to the successful operations of the Treasury—that as Congress had no control over the State banks, the Government would be subject to such regulations as

they might prescribe, and moreover that the public funds might not always be safe in such institutions. That inasmuch as the general Government would have a reasonable control over a bank of their own creation, it would exercise a salutary influence over State banks, in restraining them from an excessive issue, and from failing to promptly redeem their bills in specie—that the idea of a bank being an aristocratic institution, was wholly fallacious, in as much as the stock was owned by any one who might wish to purchase it; and that self-interest alone, on the part of the bank, would restrain it from entering into any combination, unfriendly to the interests and liberties of the people, and that of itself was a sufficient guaranty to the people on that head—that it was impossible for foreign stockholders to exercise any direct or indirect influence, inasmuch as they could not even vote for directors, and that in case of war, foreigners would furnish us with the necessary weapons to fight them with—that wisdom and prudence dictated the policy of fostering as far as possible, all our moneyed resources, preparatory to a war in which we might be engaged, and with which we were then threatened, by the great contending powers of Europe—that in the event of a war, and without a National Bank, the United States would be destitute of the necessary means to carry it on—that no reliance could be placed upon State Banks, and that the Government would be completely at the mercy of speculators.

On the 20th of February, 1811, the question, on a motion of Mr. Anderson, to strike out the enacting clause, was decided as follows:

Those who voted in the affirmative were, Messrs. Anderson, Campbell, Clay, Cutts, Franklin, Gaillard, German, Giles, Whiteside, Gregg, Lambert, Leib, Mathewson, Reed, Robinson, Smith, (of Maryland) Worthington—17.

Those who voted in the negative were, Messrs. Bayard, Bradley, Brent, Champlin, Condict, Crawford, Dana, Gilman, Goodrich, Horsey, Lloyd, Pickering, Pope, Smith, (of New York) Tait, Turner, and Taylor—17.

The Senate being equally divided, the President of the Senate, George Clinton, determined the question in the affirmative, first submitting to the Senate the following prefatory remarks:—

"Gentlemen: As the subject on which I am called upon to decide has excited great sensibility, I must solicit the indulgence

of the Senate whilst I briefly state the reasons which influence my judgment. Permit me to observe, that the question to be decided does not depend simply on the right of Congress to establish, under any modification, a bank, but upon their power to establish a National bank, as contemplated by this bill. In other words, can they create a body politic and corporate, not constituting a part of the Government, but by forfeiture of charter, and bestow on its members privileges, immunities and exemptions not recognized by the laws of the State, nor enjoyed by the citizens generally?

"It cannot be doubted that Congress may pass all necessary and proper laws for carrying into execution the powers specifically granted to the Government, or to any department or officer thereof; but, in doing so, the means must be suited and subordinate to the end. The power to create corporations is not expressly granted; it is a high attribute of sovereignty, and in its nature not accessorial or derivative by implication, but primary and independent.

"I cannot see that this interpretation of the Constitution will, in any degree, defeat the purpose for which it was formed; on the contrary, it does appear to me that the opposite exposition has an inevitable tendency to consolidation, and affords just and serious cause for alarm.

"In the course of a long life, I have found that government is not to be strengthened by an assumption of doubtful powers, but by a wise and energetic execution of those which are incontestible; the former never fails to produce suspicion and distrust, whilst the latter inspires respect and confidence.

"If, however, after a fair experiment, the powers vested in the Government shall be found incompetent to the attainment of the objects for which it was instituted, the Constitution happily furnishes the means for remedying the evil by amendment, and I have no doubt that, in such event, on the appeal to the patriotism and good sense of the community, it will be wisely applied.

"I will not trespass upon the patience of the Senate any longer than to say, from the best examination I have been able to give the subject, I am constrained, by a sense of duty, to decide in the affirmative; that is, that the first section of the bill be stricken out."

Thus, the bill to renew the charter of the first United States bank was defeated in the Senate, by the casting vote of the Vice-President.

In the House, a bill to renew the charter of the bank, the vote stood 73 to 74; so the bill was lost in the House by a majority of one vote.

The charter of the First United States Bank expired on the 4th of March, 1811. In the month of June, 1812, the General Government declared war against Great Britain, and in a short time, more than all the disasters to the country predicted by the supporters of

the bank in consequence of its dissolution were verified. We soon learned, from sad experience, that although pretended wise legislators could form new plans of finance on paper, which to some would appear quite plausible, still, on trial the most essential thing was wanting—the State bank machinery would not work for national purposes in a great war. The country was soon flooded with from forty to fifty millions of new State bank currency, with scarcely even a nominal basis of coin for its support. The inevitable consequence was little delayed. In September, 1814, all the banks outside of New England suspended specie payments. The Secretary of the Treasury informed Congress that he had been under the necessity of selecting ninety-four different State banks, from Maine to Louisiana, as depositories of the United States Government.

The various kinds of paper money in circulation made it necessary to keep four separate ledger accounts in each; and thus, instead of a single account, which was all that the Treasury required when the Bank of the United States was its fiscal agent, the Government finances were represented by 276 different bank accounts, scattered from one end of the country to the other. But what was still more serious, it was found impossible to maintain that continuous supervision of the revenues, and to exact those periodic settlements which constitute the only effectual safeguard against error, demoralization and fraud. The banks were ready enough to receive the dues of the Government, but, specie being no longer a part of the currency, the Treasury was forced into a corner. It could not receive irredeemable State bank currency, and all its efforts to obtain settlement were futile. Thus the Treasury funds, amounting to near nine million dollars, were locked up in the suspended banks. As a consequence, the Government fell in default on the interest of its funded debt. Its Treasury notes were dishonored, the business of daily life was prostrated, and universal distrust prevailed. "The multiplication of State banks has so increased the quantity of paper currency," said Secretary Dallas, in his report to Congress, "that it would be difficult to calculate its amount, and still more difficult to ascertain its value."

The last year of the war presented the singular and melancholy spectacle of a nation abounding in self-devoting patriotism, and a Government reduced to the very brink of avowed bankruptcy,

solely for the want of a national institution which, at the same time that it would have facilitated the Government loans and other Treasury operations, would have furnished a circulating medium of general credit in every part of the Union.

The Government borrowed, during a short period of the war, eighty millions of dollars, at an average discount of fifteen per cent., giving certificates of stock, amounting to eighty millions of dollars, in exchange for sixty-eight millions of dollars, in such bank paper as could be obtained. In this statement, Treasury notes are considered as stock, at twenty per cent. discount. Upon the very face of the transaction, therefore, there was a loss of twelve millions of dollars, which would, in all probability, have been saved if the Treasury had been aided by such an institution as the Bank of the United States. But the sum of sixty-eight millions of dollars received by the Government was in a depreciated currency, not more than half as valuable as that in which the stock given in exchange for it has been redeemed. Here, then, was another loss of thirty-four millions, resulting, incontestibly and exclusively, from the depreciation of the currency, and making, with the sum lost by the discount, forty-six millions of dollars.

The finances of the Government continued in a demoralized condition, when on October 6, 1814, Alexander J. Dallas was called to the head of the Treasury Department. Never before had there been greater need of a master mind in that important office. Within less than a fortnight the new Secretary communicated to Congress a report of extraordinary ability, in which he strongly recommended the establishment of a National Bank, as the remedy required to bring the finances into order. Various plans for a bank were brought forward in Congress, which resulted in nothing until, in January 20, 1815, a bill was passed. Many of the prominent members of both Houses, who had but five years before defeated a renewal of the former bank, now voted for this bill. It was, however, vetoed by President Madison, on the ground that it would not accomplish the objects rendered necessary by the state of the revenue and the condition of the country. On April 3, 1816, however, another bill for a Bank of the United States, which had previously passed the House of Representatives, was adopted by the Senate. The corporate title of this institution was "The President, Directors and Company of the Bank of the

United States." Its capital was to be $35,000,000, composed of 350,000 shares of $100 each. $7,000,000 of the stock was to be subscribed by the United States, and the remaining $28,000,000 by individuals, companies, or corporations. The charter was to extend to March 3, 1836, and the bank was authorized to organize and commence business as soon as $8,400,000, exclusive of the subscription of the United States, had been paid in. It was prohibited from lending on account of the United States more than $500,000 or to any State more than $50,000, or to any foreign prince or power any sum whatever, without the sanction of law previously being obtained.

The bank was also obliged, by its charter, to give the Government the necessary facilities for transferring the public funds from place to place within the United States without charging commissions, or claiming any allowance on account of the difference of exchange, and to transact all business of commissioners of loans when required so to do. The bank was prohibited from issuing bills under the denomination of $5.

This bill was approved by the President, James Madison, on the 10th of April, 1816, and the Bank went into operation on the 7th of January, 1817.

In the latter end of the same month, a meeting of delegates from the banks of New York, Philadelphia, Baltimore, and Virginia, took place at Philadelphia, with a view to a general and simultaneous resumption of specie payments. In consequence of a compact between them and the Bank of the United States, sanctioned by the Secretary of the Treasury, cash payments were resumed. To facilitate this object, the Bank of the United States imported from abroad seven millions of dollars in specie, and agreed to afford reasonable assistance to such of the State Banks as might require it. The resumption of cash payments was now general throughout the Union.

The year 1819 was one of great commercial difficulty in America. This distress was attributed to those measures which it had found necessary to adopt in order to effect a return to specie payments. To accomplish this object, the State Banks had been compelled to restrict their issues by limiting their discounts.

Many of those Banks which were formed at the dissolution of the first Bank of the United States, which had in the first instance made very liberal advances to the Western States, were obliged

to resort to measures for compelling the repayment of their loans. Those too who had contracted debts either to the banks or to private parties in the depreciated currency, sustained considerable loss when required to discharge their obligations in a currency convertable into gold.

SOUND CONDITION OF THE U. S. BANK.

Specie payment having been firmly established after the organization of the Second Bank of the United States, the finances of the Government were in a good condition down to 1833–4. A uniform currency upon a specie basis was furnished to the people in all parts of the United States. From 1820 to 1834 the business of the country was in a prosperous condition, and the Government accumulated a large surplus.

Mr. Dallas was succeeded in the Treasury by William H. Crawford, of Georgia. On the 12th of February, 1820, he made an able report on the currency which was very favorable to the bank for so conducting its operations as to establish and maintain a specie basis for all business transactions.

Hon. Richard Rush, of Pennsylvania, succeeded Mr. Crawford in the Treasury, who gives the following picture of the state of commerce subsequent to that date:

"No term of eight years since the establishment of the Government, was so exempt from the influence of external events that disturb the regular operations of National industry and commerce as the term ending with 1828." In the Secretary's report of December 6th, of that year, will be found a general view of the state of the currency, before and after the establishment of the Bank of the United States, sustaining the views already presented by Mr. Crawford concerning the healthful influences of the institution over the general affairs of trade. "It received the paper of the State banks paid on public account, and, by placing it to the credit of the United States as cash, rendered it available wherever the public service required." This was in effect to guarantee the State Bank currency on the footing of par in gold and silver. This gave steadiness and prosperity to the legitimate business of the country, and was a salutary check upon too great an expansion of credit, either in the form of currency or bank loans.

The Bank of the United States located in Philadelphia, established a branch or office in each state. At each branch deposits

were received, bills and notes of hand discounted, and letters of credit granted payable on demand upon all other branches. Their notes were legally payable at the respective branches where they were issued, but were often paid as a matter of courtesy at the other branches. The *five dollar notes*, the lowest issued by any branch, were made legally payable at every branch.

Average Amount for the years 1819—1829, *of the principal items of the situation of the Bank of the United States.*

	Discounts.	Domestic Bills.	Funded Debt.	Total on Interest.	Real Estate.	Specie.	Deposits.	Gross Am't of Notes. *
1819	32,211,674	336,760	7,236,153	39,784,587		2,743,834	5,734,682	5,056,829
1820	28,808,267	1,526,600	8,258,701	38,593,568		5,214,773	6,581,628	4,410,332
1821	27,099,050	1,598,473	11,859,296	40,556,619	245,846	6,469,224	6,990,073	5,609,230
1822	28,574,893	2,394,688	13,116,004	44,085,785	579,152	3,711,145	6,365,570	3,562,325
1823	30,584,919	2,588,245	10,911,700	44,084,864	736,370	4,899,686	10,401,786	4,671,271
1824	29,478,255	2,563,672	13,373,095	45,415,022	1,393,193	5,909,351	12,918,108	5,935,496
1825	29,327,219	3,270,699	19,807,605	52,405,583	1,566,728	4,686,557	12,885,829	8,836,646
1826	29,592,103	3,592,145	17,885,210	51,069,458	1,745,566	5,174,643	12,578,523	10,235,528
1827	27,948,592	4,568,297	17,724,192	50,244,081	2,118,560	6,327,758	13,727,274	10,808,244
1828	30,820,944	6,018,784	17,127,077	53,966,805	2,298,352	6,205,107	14,454,169	12,414,390
1829	32,703,280	8,417,021	13,925,701	55,046,002	2,474,750	6,411,998	15,172,164	15,011,352

* The actual amount of circulation is generally four-fifths of the gross amount, the rest being notes *in transitu*, or accumulated in offices where they are not payable.

Actual Circulation of the Bank of the United States and Branches in September, 1830, *and places where the Notes were payable.*

Where payable.	Notes in circulat'n	Where payable	Notes in circulat'n
	Dollars.		Dollars.
Bank United States	1,367,180	Amount brought forward	7,190,095
Portland	79,280	Mobile	940,825
Portsmouth	101,985	New Orleans	2,623,320
Boston	271,180	St. Louis	228,700
Providence	113,920	Nashville	1,235,275
Hartford	171,582	Louisville	662,375
New York	834,733	Lexington	908,625
Baltimore	528,638	Cincinnati	647,240
Washington	647,602	Pittsburgh	554,102
Richmond	469,440	Buffalo	258,130
Norfolk	532,400	Burlington	96,595
Fayetteville,	713,760	Agencies Cincinnati and Chillicothe	2,375
Charleston	835,840		
Savannah	522,605		
Amount carried forward	7,190,095		15,347,657

NEW YORK SAFETY FUND LAW.

On April 2, 1829, the "Safety Fund Act," so called, was passed. Mr. Van Buren and his friends then in the control of the State Government at Albany, exerted an important influence in procuring its passage. Banking under special charters was then a monopoly in that State.

It was very difficult to obtain new charters, and there was considerable hostility manifested at that early period to the United States Bank by those who controlled the State Government.

The Safety Fund Act of 35 Sections, contained provisions which gave considerable patronage and influence to the State Government. The United States Bank in Philadelphia, and its branches in the State of New York, came in competition with the State Banks. Mr. Van Buren, who had been elected Governor of New York, resigned that position, and became Secretary of State upon the inauguration of Gen. Jackson, in March 1829, just previous to the final adoption of the Safety Fund Act, which was pending in the Legislature of New York.

HOSTILITY TO UNITED STATES BANK 1829.

On the 8th December, 1829, *more than six years before the expiration of the Charter* of the United States Bank, President Jackson, in his first Annual Message to Congress, manifested his hostility to it in these words: "The Charter of the Bank of the United States expires in 1836, and its stockholders will most propably apply for a renewal of their privileges. Both the constitutionality and the expediency of the law creating this Bank, are well questioned by a large portion of our fellow citizens; and it must be admitted by all that it has failed in the great end of establishing a uniform and sound currency!" The same views were repeated in his annual messages in 1830, and 1831. The Cabinet was not harmonious on the subject. Mr. Van Buren strongly supported President Jackson in the position he had taken in these messages. Hon. Lewis McLean, Secretary of the Treasury, was decidedly opposed to the President. In his annual report to Congress in December, 1831, he declared his conviction that the Bank was a necessary part of the plan for the improvement and management of the revenue, and for the support of the public credit. He said:

"The important charge confided to the Treasury Department, and on which the operations of the Government essentially depend, in the improvement and management of the revenue, and the support of public credit, and of transferring the public funds to all parts of the United States, imperiously requires from the Government all the facilities which it may constitutionally provide for these objects, and especially for regulating and preserving a sound currency. * *

"The authority of the present Government to create an institution for these purposes cannot be less clear. It has moreover the sanction of the executive, legislative, and judicial authorities, and of a majority of the people of the United States, from the organization of the Government to the present time.

"The indispensable necessity of such an institution for the fiscal operations of Government in all its departments for the regulation and preservation of a sound currency, for the aid of commercial transactions generally, and even for the safety and utility of the local Banks, is not doubted; and, as is believed, has been shown in the past experience of the Government, and in the general accommodation and operation of the present Bank.

"The present institution may, indeed, be considered as peculiarly the offspring of that necessity—springing from the inconveniences which followed the loss of the first Bank of the United States, and the evils and distresses incident to the excessive, and, in some instances, fraudulent issues of the local banks during the war—the propriety of continuing it is to be considered, not more in reference to the expediency of banking generally, than in regard to the actual state of things, and to the multiplicity of State Banks already in existence, and which can neither be displaced, nor in any manner controlled in their issues of paper by the general Government. This is an evil not to be submitted to; and the remedy at present applied, while it preserves a sound currency for the country at large, promotes the real interests of the local banks by giving soundness to their paper issues.

"If the necessity of a Banking institution be conceded or shown, that which shall *judiciously combine the power of the Government with private enterprise, is believed to be the most efficacious.* The Government would thus obtain the benefit of individual sagacity in the general management of the Bank, and by means of its deposits and share in the direction, possess the necessary power for the prevention of abuse.

"These considerations, and others which will be adverted to in a subsequent part of this Report,—the experience of the department in the trying periods of its history, and the convictions of his own judgment, concurring with those of the eminent men who have preceded the undersigned in its administration—induced him to recommend the expediency of chartering the present Bank at the proper time, and with such modifications, as, without impairing its usefulness to the Government and the community, may be calculated to recommend it to the approbation of the executive, and--what is vitally important—to the confidence of the people."

On the 9th of January, 1832, Mr. Dallas presented a memorial of the Bank petitioning for a re-charter, which was referred to a Select Committee. On the 13th of March, this Committee reported in favor of a renewal of the charter for fifteen years, with the following modification:

"First. No notes (under fifty dollars) were to be issued from the Bank or any branch, unless made payable at the Bank or branch whence issued, except at the request of the persons to whom they are delivered.

"Second. The notes of the Bank to be received by every branch in payment of balances due by any State Bank.

"Third. The corporation to be prohibited retaining any real

estate, other than for Banking purposes, longer than two years, under a penalty of ten thousand dollars in each case.

"Fourth. Not more than two branches to be established or retained in any State; and not more than one, except in the States in which they now exist, without the assent of the legislature.

"Fifth. A bonus of $1,500,000 to be given to the Government, payable in three annual payments."

This bill was ordered to a second reading, and then laid upon the table of the Senate, until after the Report of the Committee appointed by the House to inquire into the affairs of the Bank.

The Committee appointed consisted of Messrs. Clayton, Camberling, Thomas, R. M. Johnson, McDuffie, Adams, and Watmaugh.

When the two reports were made it appeared that the investigation had not been confined to the alleged violation of the charter, but had been extended to all the affairs of the Bank. These reports were very lengthy, and attracted much attention at the time.

The conclusion at which the majority, consisting of Messrs. Clayton, of Ga., Camberling, of N. Y., Thomas, of Md., and R. M. Johnson, of Ky., arrived, from this investigation was, that Congress should not act upon the question of re-chartering the Bank until after the public debt was discharged, and the revenue adjusted to the expenditure of the Federal Government. They did not, however, give it as their opinion, that the Bank had violated its charter.

The minority, composed of Messrs. John Quincy Adams, of Mass., George McDuffie, of S. C., and Watmaugh, of Pa., made a counter report, vindicating the conduct of the Bank, and recommending a renewal of the charter, concluding as follows:

"Upon a review of the whole ground occupied in the examination they have made, the minority are of the opinion that the affairs of the Bank have been administered by the President and Directors with very great ability, and with perfect fidelity to all their obligations to the stockholders, to the Government, and to the country. They regard the Bank as an institution indispensable to the preservation of a sound currency, and to the financial operations of the Government, and should consider the refusal of Congress to renew the charter as a great national calamity.

"They will add in conclusion, that they are equally decided in the opinion that Congress is called upon by the most weighty and urgent considerations to decide this important question during the present session. The uncertainty which prevails on this subject, is calculated to exert a very pernicious influence over the in-

dustry, enterprise, and trade of the country. If the charter of the Bank is not to be renewed; if the tremendous operation of withdrawing from the community fifty millions of Bank accommodations, and twenty-two millions of its circulating medium, must take place, it is full time that it should be distinctly known, that the shock of this operation may be mitigated by timely arrangements on the part of the Bank, and that the community may have time to prove the necessary substitutes. Considering the immense extent of the operations of this institution, the time which its charter has yet to run will be scarcely sufficient for the winding up of its affairs."

GEO. McDUFFIE,
J. Q. ADAMS,
JOHN H. WATMOUGH.

These reports were ordered to be printed for general circulation, and on the 22d of May, the bill was taken up in committee of the whole in the Senate for consideration. The bill was very fully discussed and various amendments voted upon.

The bill was finally prepared by the 9th of June for a third reading, and after an unsuccessful effort to indefinitely postpone it, it was ordered to a third reading. Yeas 25—Nays 20; and on the 11th of June was passed. Yeas 28—Nays 20; as follows:—

Yeas—Messrs. Bell, Buckner, Chambers, Clay, Clayton, Dallas, Ewing, Foot, Frelinghuysen, Hendricks, Holmes, Johnston, Knight, Naudain, Poindexter, Prentiss, Robbins, Robinson, Ruggles, Seymour, Silsbee, Smith, Sprague, Tipton, Tomlinson, Waggaman, Webster, Wilkins.—28.

Nays—Messrs. Benton, Bibb, Brown, Dickerson, Dudley, Ellis, Forsyth, Grundy, Hayne, Hill, Kane, King, Mangum, Marcy, Miller, Moore, Tazewell, Troup, Tyler, White.—20.

Mr. Dallas said, that having been owner of stock in the Bank, he had sold it out as soon as he knew the subject of re-chartering the Bank would come before the Senate.

Mr. Silsbee said the same.

Mr. Webster said he had seen his name on the list of Stockholders, but it was altogether the mistake of a Clerk at the Bank in Philadelphia.

When it came into the House strenuous efforts were made to postpone its consideration, but that body having refused by a vote of 111 to 88 to lay the bill upon the table, the minority yielded to a motion of Mr. McDuffie, that it be made the special order of the day for the 18th of June. The House was then, however, engaged in the consideration of the Tariff, and it was not until

the 30th of June that the subject was taken up in the Committee of the Whole. A motion then made for its postponement to the next session was negatived. Yeas 75—Nays 100; and Mr. McDuffie proposed an amendment to that section, which limited the number of branches in each State, providing the existing branches should not be interfered with. Various attempts were then made to alter this proposed amendment, so as to incorporate in the bill all the provisions with which its opponents sought to restrict the Bank.

The bill was then ordered to a third reading. Yeas 106—Nays 84. A motion was then made to suspend the rule of the House in order to permit the third reading of the bill the same day and carried. Yeas 124—Nays 61. The previous question was again called and ordered, 109 to 76, and the bill was then passed with Mr. McDuffie's amendment. Yeas 107—Nays 85.

The following are the yeas and nays on the final passage of the bill, viz: Yeas—Messrs. Adams, Chilton Allen, H. Allen, Allison, Appleton, Armstrong, Arnold, Ashby, Babcock, Banks, Noyes, Barber, Baninger, Barstow, Isaac C. Bates, Boon, Briggs, Bucher, Bullard, Burd, Burgess, Choate, Collier, Lewis Condict, Silas Condict, Elentheros Cook, Bates Cook, Corwin, Coulter, Craig, Crane, Crawford, Creighton, Daniel, John Davis, Dearborn, Denny, Dewart, Dodridge, Dayton, Ellsworth, G. Evans, Joshua Evans, Edward Everett, Horace Everett, Ford, Gilmore, Grennell, Hodges, Heister, Horn, Hughes, Huntington, Ihrie, Ingersoll, Irvin, Isaacks, Jenifer, Kendall, Henry, King, Kerr, Letcher, Mann, Marshall, Maxwell, R. M'Coy, M'Duffie, M'Kennan, Mercer, Milligan, Newton, Pearce, Pendleton, Pitcher, Potts, Randolph, John Reed, Root, Russell, Semmes, William B. Sheperd, August H. Sheperd, Slade, Smith, Southard, Spence, Stanberry, Stephens, Stewart, Storrs, Sutherland, Taylor, Philemon, Thomas, Tompkins, Tracy, Vance, Verplanck, Vinton, Watmaugh, Wilkin, Elisha Whittlesey, Frederick Whittlesey, E. D. White, Wickliffe, Williams, and Young.—107.

Nays.—Messrs. Adair, Alexander, Anderson, Archer, Barnwell, Jas. Bates, Beardsley, Bell, Bergen, Bethune, James Blair, John Blair, Bouck, Bouldin, Branch, John C. Broadhead, Cambreling, Carr, Chandler, Chinn, Claiborne, Clay, Clayton, Connor, Davenport, Dayan, Doubleday, Felder, Fitzgerald, Foster, Gaither, Gordon, Griffin, Thomas H. Hall, William Hall, Hammons, Harper,

Hawes, Hawkins, Hoffman, Hogan, Holland, Howard, Hubbard, Jarvis, Cave Johnson, Kavanagh, Kendall, Kennon, Adam King, John King, Lamar, Lansing, Leavitt, Lecompte, Lewis, Lyon, Mardis, Mason, M'Carty, M'Intyre, M'Kay, Mitchell, Newman, Ruckolls, Patton, Pierson, Plummer, Polk, Edward C. Reed, Rencher, Roane, Soult, Speight, Standifer, Francis Thomas, W. Thompson, Ward, Wardwell, Wayne, Weeks, Wheeler, Campbell P. White, Wilde, Worthington—85.

The Senate concurred in the amendment, and the bill July 4th, 1832, was sent to the President for his approbation and signature. It was by many apprehended, that the President would resort to the mode previously adopted by him to avoid the responsibility of rejecting bills that he disapproved of, and that he would retain it until after an adjournment of Congress.

To prevent this, the Senate declined acting on the resolution for an adjournment until the bill had been sent to him for concurrence, and then the 16th of July was inserted so as to leave ten full days, exclusive of Sundays, by which he was compelled to return the bill to Congress, or permit it to become a law. Accordingly on July 10th, the next day after the Senate had fixed the time of adjournment a veto message was sent to that body, stating the reasons of the President for refusing his signature to the bill.

The great length of this Message prevents its entire insertion; the reasons assigned by the President are familiar, it is presumed to all, and were in substance as follows: That the act was unconstitutional because the law creating this Bank is not one of the necessary and proper means vested in Congress to carry into effect the *powers expressly* granted; that the bill granted exclusive privileges and was a dangerous "monopoly;" that it was not subject to State taxation; that it was ill-timed, inexpedient, and unnecessary for the public service.

This veto message having been received in the Senate, DANIEL WEBSTER, on the 11th July, 1832, proceeded to the consideration of the objections made by President Jackson to the re-charter of the Bank, and his reasons for not signing the bill. Mr. Webster said that the objections of the President "go against the whole substance of the law originally creating a Bank. They deny in effect that the Bank is constitutional; they deny that it is expedient; they deny that it is necessary for the public service."

"It is not to be doubted, that the Constitution gives the President the power which he has now exercised; but while the power is admitted, the grounds upon which it has been exerted become fit subjects of examination. The Constitution makes it the duty of Congress, in case like this, to reconsider the measure which they have passed, to weigh the force of the President's objections to that measure, and to take a new vote upon the question.

"Before the Senate proceeds to this second vote, I propose to make some remarks upon those objections. And, in the first place, it is to be observed, that they are such as to extinguish all hope, that the present Bank, or any Bank at all resembling it, or resembling any known similar institution, can ever receive his approbation. He states no terms, no qualifications, no conditions, no modifications, which can reconcile him to the essential provisions of the existing charter. He is against the Bank, and against any Bank constituted in a manner known either to this or any other country. One advantage, therefore, is certainly obtained, by presenting him the bill. It has caused his sentiments to be made known. The bill is negatived; the President has assumed the responsibility of putting an end to the Banks; and the country must prepare itself to meet that change in its concerns which the expiration of the charter will produce. Mr. President, I will not conceal my opinion, *that the affairs of this country are approaching an important and dangerous crisis. At the very moment of almost unparalleled general prosperity, there appears an unaccountable disposition to destroy the most useful and most approved institutions of the Government.* Indeed, it seems to be in the midst of all this national happiness, that some are found openly to question the advantages of the Constitution itself.

"Within three years and nine months from the present moment, the charter of the Bank expires; within that period, therefore, it must wind up its concerns. It must call in its debts, withdraw its bills from circulation, and cease from all its ordinary operations. All this is to be done in three years and nine months; because, although there is a provision in the charter, rendering it lawful to use the corporate name for two years after the expiration of the charter, yet this is allowed only for the purpose of suits, and for the sale of the estate belonging to the Bank, and for no other purpose whatever. The whole active business of the Bank, its custody of public deposits, its transfers of public moneys, its dealings in exchange, all its loans and discounts, and all its issues of bills for circulation, must cease and determine on or before the third day of March, 1836; and within the same period, its debts must be collected, as no new contract can be made with it, as a corporation, for the removal of loans, or discount of notes or bills, after that time. * * *

"As to the *time* of passing this bill it would seem to be the last thing to be thought of, as a ground of objection, by the President; since from the date of his first message to the present time, he has never failed to call our attention to the subject with all possible apparent earnestness. So early as December, 1829, in his message to the two Houses, he declares, that he 'cannot, in justice to

the parties interested, too soon present the subject to the deliberate consideration of the Legislature, in order to avoid the evils resulting from precipitancy, in a measure involving such important principles and such deep pecuniary interests.'"

Gen. Jackson was re-elected President in the fall of 1832, which settled the question that the second United States Bank must like the first go into liquidation and wind up its affairs.

REMOVAL OF GOVERNMENT DEPOSITS.

Without the authority of law the President assumed that the Secretary of the Treasury might select as many of the State Banks as he might deem necessary to receive the Government deposits, and perform the fiscal service of the Government. A large number were subsequently selected. But the 16th Section of the United States Bank Act required, "that the deposit of the money of the United States, in places in which the said Bank and branches thereof may be established, *shall be made* in the said Bank, or branches thereof, unless the *Secretary of the Treasury shall, at any time, otherwise order and direct, in which case the Secretary of the Treasury shall immediately lay before Congress*, if in session, and, if not, immediately after the commencement of the next session, *the reasons of such order or direction.*"

The Secretary of the Treasury, in his report of December 5th, 1832, advised Congress that doubts were entertained *in some quarters* of the safety of the Bank as a depository of the public revenues, and that, in consequence, he had appointed agents to examine into its condition. The President's Message of the same date expressed similar doubts, and indicated the propriety of removing the Government deposits from the Bank. A committee of investigation was appointed by Congress, and on the two reports, together with the statement of the Bank Directors, the House of Representatives declared, by a vote of 109 to 40, that the public deposits might safely be continued in the institution. The three examinations agreed so closely as to exclude all possibility of collusion or error. The Hon. Gulian C. Verplanck, of New York, chairman of the Congressional Committee, stated in his report, that they "had examined the report of the Treasury agents, and also the Directors of the Bank under oath, and that it appeared that the Bank had $80,866,000 of available resources, and that its liabilities, exclusive of its stock, amounted to only $37,800,000.

After this report was rendered, and after the vote of confidence

by Congress, Secretary McLane expressed his final determination to take no part in changing the custody of the public revenues. Whereupon the President transferred him to the State Department, to make room for a more pliable officer; but his successor, the Hon. William J. Duane, of Pennsylvania, proved even less tractable. He declared his unwillingness to act in the matter without reasons that would justify him in the eye of the law. The President summoned a special meeting of the Cabinet for consultation, with no better result. He then announced that he would assume the responsibility of issuing a mandatory order of removal, which he expected the Secretary to obey. But that officer, like his predecessor, deeming the proposed action of the President illegal, would neither execute the order nor voluntarily retire from the office. The President had no alternative but to remove him by an arbitrary dismissal; and he appointed in his stead the Hon. Roger B. Taney, whose opinions were known to coincide with those of the President.

On the 18th of September, 1833, the President issued a peremptory order for the removal of the Government deposits, and on the first of October following, the order was executed by Mr. Taney, and such deposits transferred from the United States Bank to the "State deposit Banks."

The amount of deposits thus transferred was about $11,000,000, and the State Banks thus favored were encouraged to expand their loans upon the faith of such deposits. Thus ended the services of the United State Bank as the Financial Agent of the Government.

Mr. Taney, in his report December 3d, 1833, stated that he had selected certain State Banks as depositories and fiscal agents of the Government, and that the "deposit banks" so employed, "were all institutions of high character and undoubted strength, and under the control of persons of unquestioned probity and intelligence. And to insure the safety of the public money, each one of them was required to give security whenever the amount of the deposits should exceed the half of the amount of its capital actually paid in." He also gave his reasons to Congress as required by law, for removing the deposits, which were deemed by the Senate as insufficient to justify such removal.

On the 5th of February, 1834, Mr. Webster, from the Finance Committee, made a lengthy and very able report on the subject, which concluded as follows:

"The Committee cannot but regard the removal of the deposits, on the whole, as a measure highly inexpedient, and altogether unjustifiable. The public moneys were safe in the Bank. This is admitted. All the duties of the Bank connected with these public moneys were faithfully discharged. This, too, is admitted. The subject had been recently before the House of Representatives, and that House had made its opinion against the removal known by a very unequivocal vote. Another session of Congress was close at hand, when the whole matter would again come before it. Under these circumstances, to make the removal, with the certainty of creating so much alarm, and of producing so much positive evil and suffering, such derangement of the currency, such pressure and distress in all the branches of the business of private life, is an act which the committee think the Senate is called on to disapprove."

In pursuance of the recommendation contained in the above report of the Finance Committee, the Senate on March 28th, 1834, passed the following resolutions by decided majorities.

"*Resolved*, That the reasons assigned by the Secretary of the Treasury for the removal of the money of the United States, deposited in the Bank of the United States and its branches, communicated to Congress the 4th day of December, 1833, are unsatisfactory and insufficient.

"*Resolved* That the President, in the late executive proceedings in relation to the public revenue, has assumed upon himself authority and power not conferred by the Constitution and Laws, but in derogation of both."

It was not until near the termination of the U. S. Bank Charter when the act of June 23d, 1836, was passed, giving the authority of law, for using the State Banks as depositories of the public monies belonging to the United States.

GOOD CONDITION OF UNITED STATES BANKS.

On November 1st, 1834, (after the removal of the U. S. Deposits.)

LIABILITIES.

Notes in circulation	$15,968,731.90
Deposit to the credit of the Treasury	429,465.07
do Public Offices	1,837,168.66
Private Deposits	6,741,752.24
Capital Stock	35,000,000.00
Total liabilities	$59,977,117.87

RESOURCES.

To meet the foregoing, the Bank had the following resources, viz:

Discounts (Bills Receivable)	$34,667,828.24
Mortgages	87,591.29
Domestic Bills	11,086,373.07
Foreign Bills	2,727,782.11
Real Estate	3,024,788.45
Due from State Banks	427,102.89
Specie on hand	15,910,045.31
Total resources	$67,931,511.36
Showing a surplus over all liabilities of	$7,954,393.49

The immediate consequence of the defeat of the bill for renewing the charter of the United States Bank and the illegal removal of the Government deposits from that institution, was the incorporation by the several States of a great number of local Banks. Capital stock was authorized for each, but in most cases the stock was not *bona fide* paid up. The Banks in most cases went into operation upon an insecure basis upon fictitious capitals. In the seven years from 1830 to 1837, no less than 304 sprung into existence, with a nominal capital of $145,000,000, and paper circulation of $59,000,000, and the total circulation rose to $104,000,000. The mass of Bank loans increased from $200,000,000 to $525,000,000.

The Treasury balance in the "deposit banks" rose from $11,000,000 October 1, 1833, to over $49,000,000, on November 1, 1836. The Bank of the United States, instead of closing up on the expiration of its charters, obtained a new charter from the State of Pennsylvania, and transferred its assets to the new State institution, and maintained its proportion in the general expansion of credit. Speculation and overtrading increased to an alarming extent all over the country. The expansion of bank credit, the increase of State, corporate and individual indebtedness was far in excess of legitimate business. Reckless speculation in corner lots on paper, and running into debt generally was the order of the day. This kind of speculation extended to the public lands. Large quantities were taken up—not by actual settlers—but by large operators who paid for it in State bank currency. "Wild-Cat" banking became rampant in many of the Western States, which operated to swell the indebtedness enormously in that portion of the country.

CONDITION OF THE STATE DEPOSIT BANKS.

According to the returns made to the Treasury Department, April 1, 1836.

NAME.	PLACE.	CAPITAL.	SPECIE.	DEPOSITS. Treasurer United States.
		Dollars.	Dollars.	Dollars.
Maine	Portland	30,000.00	27,339.82	113,074.94
Commercial	Portsmouth	102,000.00	11,065.56	128,338.33
Commonwealth	Boston	500,000.00	209,064.54	1,009,731.52
Merchants'	do	750,000.00	295,546.30	931,105.79
Burlington	Burlington	127,912.00	12,082.35	52,893.48
Farmers' and Mech.	Hartford	410,496.00	10,763.80	67,560.89
Mechanics'	New Haven	472,970.00	153,546.38	41,315.06
Arcade	Providence	300,000.00	52,231.26	115,132.40
Mech. and Farm.	Albany	442,000.00	114,032.33	217,430.22
Bank of America	New York	2,001,200.00	1,274,220.66	3,858,750.20
Manhattan Co.	do	2,050,000.00	1,028,946.33	3,462,800.38
Mechanics'	do	2,000,000.00	1,271,593.00	3,985,083.72
Girard	Philadelphia	1,500,000.00	461,374.86	2,516,858.76
Moyamensing	do	174,950.00	93,030.32	502,042.25
Union, Md.	Baltimore	1,845,562.50	107,943.24	906,491.54
Franklin	do	508,970.00	124,197.74	347,388.74
Bank Metropolis	Washington	500,000.00	217,219.39	200,394.40
Vir. and Branches	Richmond, &c	3,240,000.00	633,700.07	358,230.56
North Carolina	Raleigh	1,206,100.00	292,018.15	38,471.07
Plant. and Mech.	Charleston	1,000,000.00	317,162.81	252,522.42
Planters', Georgia	Savannah	535,400.00	178,472.45	111,862.48
Augusta	Augusta	897,000.00	313,750.03	129,770.95
Branch of Alabama	Mobile	2,000,000.00	339,723.01	1,623,818.12
Commercial	New Orleans	2,945,430.00	202,533.17	1,119,314.50
Union Bank of La.	do	7,051,000.00	255,559.01	1,261,116.73
Merch. and Man.	Pittsburgh	600,000.00	127,514.59	51,095.72
Franklin	Cincinnati	1,000,000.00	167,020.90	244,048.12
Commercial	do	1,000,000.00	266,803.87	395,175.82
Clinton	Columbus	289,225.00	121,143.47	328,127.52
Savings Institution	Louisville	96,512.00	50,807.58	494,842.26
Union Bank, Tenn.	Nashville	1,817,255.00	116,585.17	484,086.61
State	Indianapolis	1,279,857.78	964,758.34	1,379,949.98
Agency C. Bank, Cincinnati	St. Louis		513,859.06	1,978,383.94
Planters'	Natchez	4,143,940.00	438,324.32	2,732,319.38
Michigan	Detroit	448,200.00	62,139.34	1,070,820.03
Farm. and Mech.	do	150,000.00	59,923.70	703,675.25
		43,690,980.28	10,885,996.92	33,294,024.08

RECAPITULATION OF DEPOSIT BANKS.

	Dollars.		Dollars.
Loans and Discounts	68,850,287.67	Capital	43,690,980.28
Domestic Exchange	32,775,529.42	Treasurer of U. S.	33,294,024.08
Real Estate	1,929,056.68	Public Officers	3,477,252.42
Due from Banks	15,931,916.22	Due to Banks	15,366,674.49
Notes of other Banks	11,107,447.78	Contingent Fund	1,102,763.15
Specie	10,885,996.92	Profit and Loss, &c.	4.094,358.12
Foreign Exchange	532,450.96	Circulation	28,796,186.68
Expenses	184,901.22	Private Deposits	15,453,092.11
Other Investments	10,651,759.92	Other Liabilities	7,574,015.16
Total,	152,849,346.79	Total,	152,849,346.79

The importations from foreign countries had been large and the specie in the country had been diminishing for some time previous. The duties paid on these large importations served to increase the revenues; the National debt was paid in full, and a surplus in paper money was accumulating in the United States Treasury which was then being deposited in the State deposit banks to the credit of the Treasurer in Bank ledgers.

SURPLUS MONEY DISTRIBUTED TO STATES.

On the 23d of June, 1836, an act was passedfor distributing to the several States, the supposed surplus monies above $5,000,000, belonging to the Treasury of the United States, in proportion to their respective representation in the Senate and House. The sums to be thus deposited for safe keeping with the several States was to be made in the following proportions;—one-fourth part on the first of January, 1837, one-fourth part on the first of April, one-fourth part on first of July, and the remaining fourth part on the first day of October, all in the same year. It was supposed that the whole amount to be thus distributed would be between $40,000,000 and $50,000,000.

SPECIE CIRCULAR.

To check speculation in the public lands, President Jackson on the 11th July, 1836, issued the famous *Specie Circular*, in the form of an order from the Treasury Department, prohibiting the receipt of anything but gold and silver coin in payment of lands sold by the Government.

STATE BANKS FAIL IN MAY, 1837.

By the successive acts and proceedings just narrated, a train was skillfully laid for a general crash in the financial affairs of the government, the Banks, and the people. The natural result of what had taken place during the last six years, lead inevitably to a general smash up. The Bank, which President Madison, in his first annual message after approving its charter, declared was "essential for the interests of the community at large, as well as for the purposes of the Treasury," was killed by the veto of President Jackson and forced to wind up its affairs as a national institution; the government deposits were illegally removed to a great number of State deposit banks; the State Banks were increased, upon fictitious capitals, to an alarming extent; bank credits were extended in the

form of paper currency and improper loans upon inadequate and unconvertable security; high prices, overtrading and extravagance in living followed as a natural consequence. The catastrophe resulting from this unnatural and reckless state of things could not long be delayed.

The specie circular issued by President Jackson showed distrust of the state Bank currency; gold and silver was demanded. Failures became frequent in the latter part of 1836, and the early part of 1837. State Bank currency, in many cases, was not redeemed in coin when presented for that purpose, and very soon became uncurrent money. The Wild Cat and Red Dog Banks at the West first broke down; the Safety Fund of New York received a blow from which it never recovered, and finally went out of existence.

Each day developed some new case of insolvency on the part of Banks and individuals. Finally the distrust extended to all classes of business; credit was destroyed; the panic became general, when in May, 1837, all the banks in the country suspended specie payments, and the "deposits" in the "Pet Banks" to the credit of the Treasurer of the United States became unavailable. The demoralization was complete and general in all private as well as governmental transactions. It was difficult for the Secretary of the Treasury to manage the fiscal affairs of the government.

EXTRA SESSION OF CONGRESS, 1837.

Martin Van Buren having been inaugurated President on the 4th of March of that year, issued a Proclamation for an Extra Session of Congress in the following words:—

PROCLAMATION.

"Whereas *great and weighty matters* claiming the consideration of the Congress of the United States from an *extraordinary occasion* for convening them, I do, by these presents, appoint the first Monday of September next for their meeting at the city of Washington; hereby requiring the respective Senators and Representatives then and there to assemble in Congress, in order to receive such communications as may be made to them, and to consult and determine on such measurers as in their wisdom may be deemed meet for the welfare of the United States.

MARTIN VAN BUREN."

It is a remarkable fact that in a time of profound peace the finances of the country should have been so badly managed as to "form an extraordinary occasion" for an extra session of Congress. Five years previously the public finances were in a remarkably good condition and a large surplus was accumulating in the Treasury. A uniform currency convertible in gold on demand, had been maintained for nearly twenty years, and the business of the country had greatly prospered. The great convulsion which made an extra session of Congress necessary was very annoying to the friends of the administration who had largely participated in bringing it about.

Mr. Van Buren was very much disgusted with the State Deposit Banks for their mismanagement in locking up and rendering unavailable the public deposits. His motto became "an entire divorce of the United States Treasury from all banks and banking transactions." The institutions which Mr. Taney declared in 1833, to be of "high character and undoubted strength" proved to be very weak in 1837. Many of them proved to be not only a failure but a fraud.

GENERAL JACKSON wrote from his retirement at the *Hermitage*, that "the history of the world never has recorded such base treachery and perfidy as had been committed by the deposit banks against the government."

THOMAS H. BENTON, a pronounced hard money man, familiarly known as OLD BULLION, said, at a subsequent date, "I am one of those who promised gold, not paper. I promised the currency of the constitution not the currency of corporations. I did not join in putting down the Bank of the United States to put up *a wilderness of local banks.* I did not join in putting down the paper currency of a National Bank, to put up a national paper currency of more than a thousand local banks. I did not strike Cæser to make Antony master of Rome."

On the 4th September, 1837, the extra session of Congress opened its proceedings. President Van Buren sent in his special message, in which he stated that the object of the session was:—

"To regulate by law the safe keeping, transfer and disbursement of the public moneys; to designate the funds to be received and paid by the Government; to enable the Treasury to meet promptly every demand upon it; to prescribe the terms of indulgence and the mode of settlement to be adopted, as well in collecting from individuals the revenue that has accrued, as in withdrawing it

from former depositories; and to devise and adopt such further measures within the constitutional competency of Congress as will be best calculated to revive the enterprise, and to promote the prosperity of the country. * *

"A system" he said, "which can in a time of profound peace, when there is a large revenue laid by, thus suddenly prevent the application and the use of the money of the people in the manner and for the objects they have directed, cannot be wise, but who can think without painful reflection, that under the same unforeseen events might have befallen us in the midst of a war, and taken from us at the moment when most wanted the use of those very means which were treasured to promote the national welfare and guard our national rights."

The first act passed postponed the payment of the fourth instalment of surplus moneys to the States, providing, however, "that the three first instalments should remain on deposit with the States until otherwise directed by Congress," amounting to $28,101,645, which is still to the credit of the U. S. Treasurer on the books of the Treasury Department.

An act was also passed for the issue of ten million 6 per cent. *Treasury Notes*, redeemable after one year, which were intended to be circulated to some extent as a paper currency, by making them receivable in payment of "all taxes and duties laid by the authority of the United States, of all public lands sold, and for all debts due to the United States of any character whatsoever."

An act was also passed for *adjusting* the remaining claims against the late deposit banks, which were in default in making payment of the monies deposited with them.

NEW YORK IN A TIGHT PLACE.

The State of New York was also in a tight place, and had considerable difficulty in raising coin to pay the interest on its funded debt, falling due October 1st, 1837. In the month of August the Commissioners of the Canal Fund finally placed in the Bank of America, State Stocks issued for the Chenango Canal, to the amount of $545,000 at the par of gold and silver, and obtained from that bank an advance of $73,000 in specie with which the interest on the State debt was paid on the first of October, which prevented any default on the part of the State.

To aid in the resumption of specie payments, Canal Stock was also placed in the following banks:—

Bank of New York	$209,000
Merchants' Bank	310,000
Manhattan Company	426,526.55
Union Bank	209,000
National Bank	160,000
Bank of State of New York	416,000

These advances of Stock were made to the several banks amounting to $2,030,000, under a special agreement for "facilitating an early resumption of specie payments by the banks," and finally pay the State for the Canal Stock thus advance to them.

FAVORABLE WINDING UP OF U. S. BANK.

At the time of closing the United States Bank after its charter expired, the stock was worth a premium of more than 15 per cent., and the stock in the Bank owned by the United States was paid back to it in full, and also a premium on the same exceeding 15 per cent. besides the previous regular dividends, so that the United States actually made money on its stock, and did not lose a dollar of the money deposited in the Bank. It fulfilled all its obligations to the Government, redeemed all its circulating notes, paid all its private depositors, and as a National institution went out of existence with a clean record.

BANK OF THE UNITED STATES OF PENNSYLVANIA.

When it was finally settled that no re-charter of the National Bank was to be obtained, a plan was projected to combine the advantages of the long established correspondence, name, and machinery of the former Bank, by incorporating its stock with a new institution under the name of "The President, Directors, and Company of the Bank of the United States of Pennsylvania," which was chartered on the 18th of February, 1836, by the Legislature of that State. The transfer of the funds of the old institution was made into the new State Bank. In consequence of the advantages to be derived from the new institution, the stockholders were generally content to subscribe anew in the new State Bank; and it is alleged that all of them might, at this juncture, have received their investments back, not only at par, but with a large advance. This, as before stated, the Government actually did, and no power was enjoyed by the Government that was not shared by every individual. Indeed, it was alleged by Mr. Nicholas Biddle

(who held the administration of the affairs of the State Bank, as he had done in the National Bank), as recently as April, 1841, that the State institution was prosperous down to the end of his administration in March, 1839. But under the pressure of the revulsion which followed the panic of 1837, the stock of the State Bank declined from 116 to 17 per cent. in 1841, and finally failed along with a great number of other State Banks. The depression and and hard times continued until 1843.

A bill for establishing a Fiscal Bank of the United States passed the House of Representatives, August 6th, 1841; vetoed by President Tyler, August 16th. Another bill for a Fiscal Corporation vetoed September 9th, 1841, followed by a resignation of all the Cabinet, except Mr. Webster, which ended for a time all efforts to obtain under any name a new National Bank.

On January 1, 1837, the Bank circulation of the country, according to the Treasury reports, was $149,000,000. By January 1st, 1843, it was reduced to $58,000,000. A ruinous fall of prices was the consequence, and wide-spread distress, attended by many failures. In the four years ending with 1842, the exports of specie exceeded the imports by $8,500,000; but under the favorable influence of the Tariff of 1842, in the nine months ending June 30, 1843, the imports of specie exceeded the exports by $20,000,000; as the banks of New York and New England had paid specie regularly since 1838, they soon recovered from the effects of the revulsion of 1842–43. Those of the grain-growing States, from New Jersey to Missouri, did not fully recover till 1847, when the demand for breadstuffs in Europe gave a balance of specie in our favor of $22,000,000. The banks in the South and West were not fully re-established until some years later, when an extraordinary demand for cotton replenished their coffers.

FREE BANKING LAW OF NEW YORK.

On April 18th, 1838, the monopoly of banking under special charters, was brought to a close in the State of New York, by the passage of the act "to authorize the business of Banking." Under this law Associations for Banking purposes and Individual Bankers, were authorized to carry on the business of Banking, by establishing offices of deposit, discount and circulation. Subsequently a separate Department was organized at Albany, called "The Bank Department," with a Superintendent, who was charged with the

supervision of all the banks in the State. Under this law institutions could be organized simply as banks of "discount and deposit," and might also add the issuing of a paper currency to circulate as money. At first the law provided that State and United States stocks for one-half, and bonds and mortgages for the other half, might be deposited as security for the circulating notes to be issued by Banks and individual Bankers. Upon a fair trial, however, it was found that when a bank failed, and the Bank Department was called upon to redeem the circulating notes of such bank, the mortgages could not be made available in time to meet the demand. The mortgages when brought to the test of raising ready money proved to be unavailable, and by an amendment of the law the receiving of mortgages as security for circulating notes was discontinued.

This law with the various amendments that have been made, has proved to be a valuable and useful mode of carrying on the business of banking, and ultimately a very large majority of the banks in New York came under its provisions in the transaction of their business. Among them I may name a few of the most prominent.

THE BANK OF COMMERCE in the city of New York, organized under the provisions of this act, January 1st, 1839, with a capital of $5,000,000, which was afterwards increased to $10,000,000, and was among the first of the Free Banks in the State. It was a bank of "discount and deposit" mainly, and issued only a small amount of circulating notes until it came under the provisions of the National Bank Act in 1865.

THE AMERICAN EXCHANGE BANK is another of the large and prosperous banks which came early under the provisions of the free banking law of New York. Its capital is $5,000,000, and in 1865 it organized under the National Bank Act.

THE METROPOLITAN BANK of New York City, is another of the prominent banks which, at a later period, organized under the same law with a capital of $4,000,000, and is now doing business under the National law.

Many other banks ought to be specially mentioned for the ability and fidelity with which they have been managed, did time and space permit.

SUB-TREASURY ACT.

For more than ten years there was an earnest discussion in Congress and in the Treasury reports, for and against an Independent Treasury. Robert J. Walker, Secretary of the Treasury, in his annual report in December, 1845, said that "the only proper course for the Government was to keep its own money separate from all banks and bankers, in its own Treasury—whether in the mint, branch mints, or other Government agencies; *and to use only gold and silver coin in all receipts and disbursements.* Various forms of *paper credit* have been suggested as connected with the operations of the Treasury, but they are all considered as impairing one of the great objects of the Independent Treasury, namely an augmented circulation of specie." In other words a complete divorce of the Government from all banks and banking transactions.

On the 6th of August, 1846, the Sub-Treasury act was finally passed, and went fully into operation January 1st, 1847, upon the theory mainly of gold and silver in all the financial transactions of the Government; but with the expectation that Treasury notes might be resorted to if necessary.

THE SUB-TREASURY LAW NOT ADEQUATE TO THE EXIGENCIES OF THE WAR WITH MEXICO—NOT GOLD AND SILVER ENOUGH FOR THE PURPOSE.

In less than a year after the passage of the Sub-Treasury Act, it was found that very little gold was in the Treasury. It was easy to enact that "all disbursements" from the Treasury should be made in coin, but soon after the commencement of the war with Mexico, it was found very difficult to get the coin into the Treasury for "disbursement." The Army and Navy had to be supported, and material of war had to be provided. Coin in sufficient amount could not be obtained for that purpose. Resort was almost immediately had to the alternative of *paper* to carry on the war. The acts of July 22, 1846, and January 28th, 1847, authorized the issue of $28,000,000 6 per cent. Treasury notes, to be put upon loan, and paid to contractors and others who furnished supplies to carry on the war. A large part of the "disbursements" for the war were in Treasury notes instead of gold, showing the impracticability of the Sub-Treasury to carry on even a small war in gold and silver.

THE PANIC AND REVULSION OF 1857.

This crisis, like the revulsion of 1837, was caused by too great an expansion of credit. Debts in all forms became excessive. The Railway system had been largely extended upon borrowed capital. There had been excessive importations of foreign goods. The banks loaned too much of their funds on stocks, bonds and other securities that could not be readily converted into money to meet checks of depositors. The Ohio Life Insurance and Trust Company, which had a large branch office in the city of New York, was completely loaded down with unavailable securities, and on the 25th of August, 1857, failed with very large liabilities outstanding. This was the starting point of the panic. Distrust very soon became general. Confidence was destroyed. It was soon ascertained that too much floating capital had been converted into fixed capital. Call loans were called in. A large part of the hundreds of millions of stock and bonds that had been created during the previous ten years, proved to be unavailable. Wall street and the Stock Exchange became greatly excited. A large number of the members of the Board of Brokers were unable to respond to their call loans, and failed. Stocks fell 50 per cent. At the height of the panic New York Central R. R. stock sold down to 48, Illinois Central, Michigan Central, and Rock Island at about 30, Michigan Southern at 5. Money so stringent that bankers were unable to borrow currency on gold bullion; the Michigan Southern sold at ten per cent. guaranteed stock at 50, and the Michigan Central, an eight per cent. mortgage bond, at the same price.

The panic continued about fifty days, until the middle of October, 1857, when all banks suspended specie payments.

The system of redemption of bank notes then in force by the Suffolk Bank in Boston, and the Metropolitan Bank in New York, operated unfavorably. This mode of requiring redemption of the interior bank currency which was sent in packages to these banks, and then hurried back again to the interior, frequently in the same packages, greatly accelerated the panic. Finally the banks in New York, by common consent, ceased sending home good currency and finally took the *secured* currency of the State of New York, and made it a basis for Clearing House Certificates, which had an important influence in stopping the panic and restoring confidence. When the banks suspended, relief came, of course. Confi-

dence gradually returned, money flowed into business channels, prices improved, and the banks were enabled to resume in December.

STATE BANKS—REBELLION—SUB-TREASURY.

At the breaking out of the Rebellion in 1861, the Government of the United States had no National institution to resort to, like the Bank of England or the Bank of France, for aid to sustain the Union Army and Navy. It had only a barren Sub-Treasury, which in every effort of the Government to make loans, was known to be antagonistic to the customary commercial operations of the State Banks. The Sub-Treasury was in no way connected with Clearing House operations, and could not check on the banks for Government disbursements, and if the Government borrowed money on its bonds from the banks, the money had to be paid into the Sub-Treasury in gold and silver coin, or treasury notes, which at once weakened the bank reserves, and tended to disturb the whole financial business of the country. The Sub-Treasury law was a positive obstacle to a successful management of the finances in the great war then in progress to maintain the Union.

LOAN OF $250,000,000 AUTHORIZED.

Two important loan acts were passed at the extra session of Congress in July and August, 1861, authorizing a loan of $250,000,000. The first act was approved July 17th, and the second August 5th. By section six of the last mentioned act, the Sub-Treasury law passed in 1846, was so far suspended as to allow the Secretary of the Treasury

"To deposit any of the moneys obtained on any of the loans now authorized by law, to the credit of the Treasurer of the United States, in such solvent specie-paying banks as he may select; and the said moneys, so deposited, may be withdrawn from such deposit, for deposit with the regular authorized depositories, *or for the payment of public dues,* or paid in the redemption of the notes authorized to be issued under this act, or the act to which this is supplementary, payable on demand, as may seem expedient to, or be directed by the Secretary of the Treasury."

"After the battle of Bull Run, which occurred on the twenty-first of July, of that year, the necessities of the Government in clothing, arming and feeding troops—in providing munitions of war, and building a navy—became so urgent that the banks in New York, Boston and Philadelphia, most patriotically came forward and made arrangements in several negotiations with Secretary

Chase, to loan to the Government $150,000,000 under the provisions of the two loan acts passed at the extra session. Of this sum $105,000,000 was apportioned to the associated banks in the city of New York, payable by installments. The banks were then in good condition, transacting their business on a specie basis, and paid coin for all balances at the clearing house, and redeemed their circulating notes in coin, and the loan to the Government was made with the expectation that the money would be deposited in the banks, and be checked out under the direction of the Secretary, in pursuance of the sixth section above referred to. The Secretary of the Treasury refused to use the discretionary power conferred upon him by that section, and would not check on the banks for the expenses of the war, so that current bank notes could be paid or balances settled through the clearing house, but insisted that the banks should pay the money loaned into the Sub-Treasury in gold or gold treasury notes, and from thence it was distributed for war purposes and scattered in different parts of the country. By far the greater part of this loan was paid in gold coin, taken from the reserves of the banks, commencing on the nineteenth of August, 1861. This unnecessary mode of requiring the payment of the loans, so weakened the banks, that it brought on a general suspension of specie payments, during the last days of December, 1861. Mr. Chase in breaking the banks at the same time broke the Sub-Treasury, and both were discredited together." (See Spaulding's Financial History of the War, Second Edition, pages 2 and 3 of Introduction.)

Hon. SALMON P. CHASE, Secretary of the Treasury, in his report in December, 1861, stated that there were about sixteen hundred local banks, and that the value of the then existing bank note circulation depended upon the laws of thirty-four States, and the character of those private corporations. He estimated the total circulation of all these banks January 1st, 1861, to be $202,000,767. "Of this circulation $150,000,000, in round numbers was in the loyal States, and $50,000,000 in the rebellious States."

The Government was without any National paper currency to circulate as money, and Mr. Chase was not then favorable to the issue of legal tender notes. He however was in favor of a National currency under the authority of the United States, and recommended the

NATIONAL BANK ACT.

Mr. Chase in his annual report in December 1861, above referred to, said:

"It has been well questioned by the most eminent statesmen whether a currency of bank notes, issued by local institutions under State laws, is not, in fact, prohibited by the National Consti-

tation. Such emissions certainly fall within the spirit, if not within the letter, of the Constitutional prohibition of the emissions of "bills of credit" by the States, and of the making by them of anything except gold and silver coin a legal tender in payment of debts.

"However this may be, it is too clear to be reasonably disputed that Congress, under its Constitutional powers to lay taxes, to regulate commerce and to regulate the value of coin, possesses ample authority to control the credit circulation which enters so largely into the transactions of commerce, and affects in so many ways the value of coin. In the judgment of the Secretary, the time has arrived when Congress should exercise this authority. The value of the existing bank-note circulation depends on the laws of thirty-four States, and the character of some sixteen hundred private corporations. It is usually furnished in greatest proportions by institutions of least actual capital, circulation, commonly, is in the inverse ratio of solvency. Well-founded institutions, of large and solid capital, have, in general, comparatively little circulation, while weak corporations almost invariably seek to sustain themselves by obtaining from the people the largest possible credit in this form. Under such a system, or rather lack of system, great influctions and heavy losses in discounts and exchanges are inevitable, and not unfrequently, through failures of the issuing institutions, considerable portions of the circulation become suddenly worthless in the hands of the people. The recent experience of several States in the valley of the Mississippi, painfully illustrates the justice of these observations; and enforces, by the most cogent practical arguments, the duty of protecting commerce and industry against the recurrence of such disasters.

"The Secretary thinks it possible to combine with this protection a provision for circulation, safe to the community and convenient for the Government.

"Its principal features are: first, a circulation of notes bearing a common impression, and authenticated by a common authority; second, the redemption of these notes by the associations and institutions to which they may be delivered for issue, and third, the security of that redemption by the pledge of United States stocks, and an adequate provision of specie.

"In this plan the people, in their ordinary business, would find the advantages of uniformity in currency; of effectual safe-guard, if effectual safe-guard is possible, against depreciation; and of protection from losses in discounts and exchanges; while in the operations of the Government, the people would find the further advantages of a large demand for Government securities, of increased facilities for obtaining the loans required by the war, and of some alleviation of the burdens on industry through a diminution in the rate of interest, or a participation in the profit of circulation, without risking the perils of a great money monopoly.

"A further and important advantage to the people may be reasonably expected in the increased security of the Union, springing from the common interest in its preservation, created by the distri-

bution of its stock to associations throughout the country, as the basis of their circulation.

"The whole circulation of the country, except a limited amount of foreign coin, would, after the lapse of two or three years, bear the impress of the nation, whether in coin or notes; which the amount of the latter, always easily ascertainable, and of course, always generally known, would not be likely to be increased beyond the real wants of business.

"He expresses an opinion in favor of this plan with the greatest confidence, because it has the advantage of recommendation from experience. It is not an untried theory.

"In the State of New York, and in one or more of the other States, it has been subjected, in its most essential parts, to the test of experiment, and has been found practicable and useful. The probabilities of success will not be diminished, but increased by its adoption under national sanction, and for the whole country. * * "

This report of Mr. Chase was referred to the sub-committee of Ways and Means consisting of myself as chairman, Mr. Hooper of Mass., and Mr. Corning, of N. Y. After a careful examination of the report, I applied to Mr. Chase for the draft of a Bill to carry into effect the plan of a National Bank in accordance with his recommendations. He had not prepared any bill and requested me to prepare one as soon as practicable. Hon. John J. Knox, the present Comptroller of the currency, in his last able report to Congress, says: "A National Bank bill was prepared by Mr. Spaulding, of New York, in accordance with the plan of Secretary Chase." This is true, I prepared the Bank Bill during the holidays in December, 1861, and had two hundred copies of it printed by the Public Printer for the use of the Committee of Ways and Means, with a view to have it considered, amended, and finally to be reported. (I here produce one of the original copies of the bill as prepared by me at that time, and which I have retained until now.) Considerable opposition was manifested to the bill. It became certain that it could not at that time pass without a long discussion. The expenses of the Government were running on at a fearful rate, and the Treasury was nearly empty. It soon became apparent that the bank bill could not be passed and made available in time to meet the gigantic expenses of the war. It was therefore laid aside for future consideration. There was an imperative necessity for a National circulating medium, as well as immediate available means to sustain the Army and Navy in the prosecution of the war. The State Banks and Sub-Treasury suspended specie payments on the 28th of December, 1861. The notes of these

banks became uncurrent money and at best had only a local character and credit. Under these circumstances I immediately introduced into the House of Representatives

THE LEGAL TENDER ACT.

On introducing the bill I stated that it was a temporary "War Measure"—a measure of necessity and not of choice, and that it would at once insure a *loan* to the Government without interest and a *national currency.* (For a full history of this measure see Spaulding's history of Legal Tender Act, commencing at p. 6.)

The real purpose and object of the Legal Tender Act was to *fund* the debt incurred for war expenses. To do so it was necessary to quickly *create* a temporary National currency for disbursment to the Army and for other war expenses, and which should also be receivable for taxes and other dues to the Government, except custom duties. In order to prevent any redundency it was also provided that it might at any time be converted into six per cent. gold bonds.

The act authorized the issue of $500,000,000 six per cent. gold bonds, into which these legal tender notes could be funded.

The title of the act was very expressive of its object, "An Act to authorize the issue of United States notes and for the *redemption and funding thereof,* and for *funding the floating debt of the United States.*"

In the opening remarks I made, I said "The demand notes put in circulation would meet the present exigencies of the Government in the discharge of its existing liabilities to the army, navy and contractors, and for supplies, materials and munitions of war. These notes would find their way into all the channels of trade among the people; and as they accumulate *in the hands of capitalists they would exchange them for the six per cent. twenty years bonds.*

"These circulating notes in the hands of the people would enable them to pay the taxes imposed, and would facilitate all business operations between farmers, mechanics, commercial business men and banks, and be equally as good as, and in many cases better, than the present irredeemable circulation issued by the State banks.

"The $500,000,000 six per cent. twenty years' bonds in the hands of the Secretary of the Treasury ready to be issued, would afford ample opportunity for funding the treasury notes as fast as the capitalists might desire to exchange treasury notes, not bearing interest, for coupon bonds of the United States, bearing six per

cent. interest, and amply secured by a tax upon the people and all their property.

"In this way the Government will be able to get along with its immediate and pressing necessities without being obliged to force its bonds on the market at ruinous rates of discount; the people, under heavy taxation, would be shielded against high rates of interest; *and the capitalists will be afforded a fair compensation for the use of their money during the pending struggle of the country for national existence.* * * *

"Our army must have what is far more valuable to them than gold and silver. They must have food, clothing, and the material of war. Treasury notes issued by the Government, on the faith of the whole people, will purchase these indispensable articles, and the war can be prosecuted until we can enforce obedience to the Constitution and laws, and an honorable peace be thereby secured. This done, I will be the first to advocate a speedy return to specie payments, and all measures that are calculated to preserve the honor and dignity of the Government in the time of peace, and which I regret are not practicable in the prosecution of this war."

The first Legal Tender Act for $150,000,000 was passed and approved by President Lincoln, February 25, 1862.

The second Act for an additional $150,000,000 was passed and approved by Mr. Lincoln July 11, 1862.

On the back of the notes issued under these two acts was printed the following words: "This note is a legal tender for all debts public and private, except duties on imports and interest on the public debt, *and is exchangeable for U. S. six per cent. bonds redeemable at the pleasure of the United States, after five years.*"

These notes in the form of greenback currency, were immediately issued by Secretary Chase and disbursed for war expenses, and the Treasury of the United States was soon relieved of the pressing demand that was made upon it. The army and navy were paid, and supplies and materials of war obtained on these paper promises in sufficient quantity to prosecute the war with vigor. A further issue of $150,000,000 of *un*-fundable greenbacks was authorized in 1863.

This currency did not grow out of industry and production, and was not therefore, a legitimate commercial currency. It sprung from the dire necessity of a gigantic civil war. It was debt created in the absence of ready means. It was the evidence of want, and the waste of war. The Government had no gold or other products of industry on hand with which to redeem it. It was simply a temporary war currency. During the war we were obliged to accept it, but with a view to get rid of it as soon as possible on the

return of peace, it was by the original acts made convertible, as before stated, into a six per cent. gold bond, which was a practical redemption, and an easy and natural mode of getting rid of the evil effects of this redundant and unnatural currency.

THE GREAT MISTAKE OF THE WAR.

I said on another occasion and I reproduce it here: "The great mistake—greater than all other mistakes in the management of the war—was the abrogation of the right to fund the greenback currency into gold bonds, as provided for in the two preceding acts."

All the other mistakes, civil and military, which occurred during the war were of slight consequence when compared with the mischievous and grave consequences resulting from this one mistake. Taking away from the holder of this paper currency the right to redeem it on demand in gold bonds, besides being manifestly unjust to the holders, let the Government and the whole country—banks and people—down into the *slough* of an irredeemable paper currency, where we have remained for over eleven years. From 1864, to 1876, it has been a dead weight on the business and industry of the country, without elasticity, and without any provisions whatever being made for its redemption or payment. Its redundency, and consequent depreciation, has operated very injuriously to the legitimate business of the country. It was an instrument of expenditure, a visible evidence of the waste of war, and not possessing the essential elements of a commercial currency. A majority of the people, however, have been deluded into the belief that those broken promises, mere evidences of debt, were money and a proper standard of value as a basis for doing business, and have plunged headlong into all sorts of speculation, unprofitable enterprises, extravagance in living, general abuse of credit, idleness and consequent demoralization.

If the right to fund the greenbacks into the six per cent. gold bonds had not been abrogated, no financier or practical business man, whose opinion is worth quoting, can doubt that we would have gone to specie payment within two or three years after the close of the war, in spite of ourselves. The individual indebtedness at the close of the war in 1865 was small. Everyone was comparatively free from debt. The six per cent. gold bonds were sought for as an investment. They soon appreciated to par in gold, and if the right to fund had been continued, the greenback

currency would have appreciated to par in gold along with bonds. The legal tender act would have served its purpose as a war measure, and we would have returned to the specie standard without material detriment to the legitimate business of the country. In this way we would have avoided a large part of the extravagance and demoralization that has been so reckless since the close of the war.

THE BANK BILL PASSED 1863.

On the 2d February, 1863, the National Currency Bank bill, as prepared by Mr. Spaulding, in December, 1861, after being altered and amended in several important particulars, was reported from the Finance Committee to the Senate by John Sherman of Ohio. The debate upon it was opened on the 9th, and continued from day to day until the 12th, when it was passed by the following vote —yeas 23, nays 21, as follows:

Yeas—Messrs. Anthony, Arnold, Chandler, Clark, Doolittle, Fessenden, Foster, Harding, Harlan, Harris, Howard, Howe, Lane (of Kansas), Morrill, Nesmith, Pomeroy, Sherman, Sumner, Ten Eyck, Wade, Wilkinson, Wilmot, and Wilson (of Massachusetts)—23.

Nays—Messrs. Carlisle, Collamer, Cowan, Davis, Dixon, Foot, Grimes, Henderson, Hicks, Kennedy, King, Latham, McDougal, Powell, Rice, Richardson, Saulsbury, Trumbull, Turpie, Wall and Wilson (of Missouri)—21.

So the bill was passed.

The bill as it passed the Senate was sent to the House on the 12th. On motion of Mr. Hooper it was ordered to be printed, but was not referred to the Committee of Ways and Means. It remained on the Speaker's table until the 19th, when it was taken up for consideration in the House. A motion to refer it to the Committee of the Whole having been defeated, Mr. Spaulding opened the debate in a lengthy speech in favor of the bill. The debate continued until the 20th, when the bill was passed without amendment by the following vote—yeas 78, nays 64, as follows:

Yeas—Messrs. Aldrich, Alley, Ashley, Babbitt, Beaman, Bingham, Jacob B. Blair, Blake, Buffinton, Calvert, Campbell, Casey, Chamberlain, Clements, Colfax, Conway, Covode, Cutler, Davis,

Delano, Dunn, Edgerton, Eliot, Ely, Fenton, Samuel C. Fessenden, Thomas A. D. Fessenden, Fisher, Frank, Goodwin, Granger, Hahn, Haight, Hickman, Hooper, Hutchins, Julian, Kelley, Francis W. Kellogg, William Kellogg, Lansing, Leary, Lovejoy, Law, McIndoe, McKean, McPherson, Marston, Maynard, Moorhead, Anson P. Morrill, Noell, Olin, Patton, Timothy G. Phelps, Potter, Alexander H. Rice, John H. Rice, Sargent, Sedgwick, Segar, Shanks, Shellabarger, Sherman, Sloan, Spaulding, Stevens, Trimble, Trowbridge, Van Horn, Van Wyck, Verree, Wall, Wallace, Washburne, Albert S. White, Windom and Worcester—78.

Nays—Messrs. William Allen, Anacona, Baily, Baker, Baxter, Biddle, Cobb, Frederick A. Conkling, Roscoe Conkling, Cox, Cravens, Crittenden, Dawes, Edwards, English, Gooch, Grider, Gurley, Hall, Harding, Harrison, Holman, Horton, Johnson, Kerrigan, Knapp, Law, Lazear, Loomis, Mallory, May, Menzies, Justin S. Morrill, Morris, Nixon, Noble, Norton, Nugen, Odell, Pendleton, Perry, Pike, Pomeroy, Porter, Price, Robinson, James S. Rollins, Sheffield, Shiel, John B. Steele, William G. Steele, Stiles, Stratton, Benjamin F. Thomas, Francis Thomas, Vallandigham, Wadsworth, Wheeler, Whaley, Chilton A. White, Wickliffe, Wilson, Woodruff and Wright—64.

So the bill was passed and approved by President Lincoln, February 25, 1863.

No National Bank currency was issued until near the first of January, 1864. After that time it was gradually issued. On the first of July, 1864, the sum of $25,825,695 had been issued; and on the 22d of April, 1865, shortly after the surrender of General Lee, the whole amount of National Bank circulation issued to that time was $146,827,975.

FREE BANKING—NO MONOPOLY.

At first the act limited the amount of currency to be issued under it, to $300,000,000, but by a subsequent act this limitation was removed. Free Banking is now allowed to all the people who comply with its provisions. There is no longer a monopoly of banking under the laws of the United States. It is a system of National Banking and National Currency co-extensive with the boundaries of our National Union. It requires the circulating notes to be well secured by gold-bearing Government bonds, deposited with the Treasurer of the United States; requires each bank

to redeem its circulating notes in lawful money on demand, and to keep an adequate reserve for that purpose; makes them a legal tender for all taxes and other debts to the Government, except customs, and for all debts owing by the Government, except principal and interest of the funded debt; it also makes them receivable by each National Bank for all ordinary debts due them, and each bank, designated as a depository, is also required to receive it on deposit from all public officers. These are important provisions in the law for *nationalizing* this currency, and it consequently obtains a wide circulation. Congress, by the act of March 3d, 1865, drove all State Bank circulation out of existence by the imposition of a tax upon it of ten per cent.

REDEMPTION OF PAPER MONEY.

Redemption is an essential requisite of paper money. To fulfil the functions of money it must be convertable into coin on demand. No other device which has been tried during the last hundred years by any Bank, or any Government, to circulate its issues of paper currency on a par with gold has been successful, unless it could be immediately and conveniently converted into gold on demand. In regard to the truth of this proposition history repeats itself wherever and whenever it has been tried. The attempt to circulate the *Assignats* and *Mandats* of France without such convertibility, is a striking example of the folly of such an undertaking. They depreciated under excessive issues, until they possessed no value, and were finally repudiated. In the case of France there was no necessity or valid excuse for trying the experiment. In the case of the Thirteen Colonies, united in self-defence, there was some justification for the issue of Continental currency. The necessity of self-preservation and the ultimate aim of American Independence, were the reasons assigned for its excessive issue. It depreciated until it was valueless, and its final total loss operated as an unequal tax upon the people. It was irredeemable, and shared the same fate of all such currency.

REDEMPTION OF NATIONAL CURRENCY.

The National Bank Act requires that each National Bank which issues National Currency, shall redeem it on demand "in lawful money of the United States."

In a normal condition of the country this requirement means gold coin, the value of which is regulated by Congress.

Unfortunately eleven years after the close of the war, the temporary "war currency" issued in the form of greenbacks, still lingers as an evil element, and is declared by law to be "lawful money," so that the banks can and do redeem their circulating notes in this depreciated greenback currency. This is practically no redemption at all. It is merely swapping one kind of paper for another of about the same current value, and both of them depreciated about 13 per cent. below the price of gold.

There has been recently established a BUREAU in the Treasury Department at Washington, for the purpose of assorting and enforcing redemption of National Bank Currency. This operation furnishes clean notes for those that are worn and defaced, but it is in no sense an efficient redemption, and cannot be made so, until the Government takes out of the way its irredeemable greenback currency. When this is done the Banks will then be obliged to redeem their notes in gold or in funds on a par with gold. This redemption bureau will then have a real significance, and tend to hold in check excessive issues of Bank Currency.

PROGRESS MADE IN BANKING.

The refusal of Congress to re-charter the first United States Bank, and the arbitrary and illegal action of the Executive in regard to the second United States Bank, seriously retarded the progress of sound banking, under the authority of the United States. By these blunders the Government and people have been deprived of the great benefits they would have received from the stability given to business by the continuance of such an institution. In spite, however, of this incongruous and unwise action of Congress and the Executive there has been real progress made in the business of banking during the last hundred years. The Bank of North America in Philadelphia, the Bank of New York in New York City, the Massachusetts Bank in Boston, the three first banks organized in the United States, have always maintained a respectable position, and are to-day performing their duties to the public, and are favorably regarded for their high-standing and solidity. Having been re-organized, they are to-day doing a prosperous business under the present National Bank Act.

Most of the Banks organized in the principal cities since Jan-

uary 1st, 1790, have maintained their existence in some form; have increased their capitals, have done a successful business, and are now highly creditable institutions, and doing as good a business as the present state of trade will admit.

State Banks and National Banks are generally in a prosperous condition, and most of the old State Banks finally re-organized under the National Bank Act in 1865.

Hon. JOHN J. KNOX, Comptroller of the currency, in his last report made to Congress in December, 1875, gives a detailed report of the condition of all the National Banks. It is a most valuable and interesting statement of the favorable condition of the business of banking in the United States. Those desiring further details in regard to the banks can study this report to great advantage.

Capital Stock of National Banks paid in is - - - - - -	$505,485,865
" " State Banks " " - - - - - -	164,366,669
Aggregate amount of deposits in Savings Banks - - - -	849,581,633
Capital Stock of Loan and Trust Companies, - - - - - -	21,854,020
	$1,541,288,187

PRIVATE BANKERS do not report the amount of capital employed in their business. It is therefore difficult to make any approximate estimate of their aggregate capital. It is known, however, to be large, and their business transactions largely swell the banking operations of the country.

Bank officers and private bankers are generally men of high character. Their business is intimately interwoven with all the industrial and commercial operations of the country. Their customers are also generally men of the same high character. They have a common interest in the success of the trade transactions of the country. Bankers and customers are alike interested in maintaining a high standard of integrity, punctuality, and commercial honor.

CREDIT AND CLEARING HOUSE.

CREDIT is the essential element that underlies the business of banking. Banking in all its forms is dependent upon credit. Well organized banks, and the system of daily settlements through the clearing Houses in all the great commercial centers, and a weekly publication of the condition of the banks, has an important influence in keeping all credit transactions under due control,

and confining them within proper limits. About one hundred years ago, the private banks in London organized the first Clearing House in that city. THE NEW YORK CLEARING HOUSE ASSOCIATION, composed of New York Bankers, went into operation October 1st, 1853, and its present constitution was adopted June 6th, 1854.

The system of Clearings by off-set is one of the most useful improvements of modern times. It economises both time and money in the liquidation of debts, especially all the large commercial transactions of the world, amounting to several hundred millions daily, with only a very small resulting balance to be paid in money. Very little gold or paper money is required to do the business of any of the large cities.

When the economy of the check-system had caused the innumerable daily payments of the community to be carried on without any withdrawal of money from the banks, the next and culminating step in the process was to allow the payments among the banks themselves to be likewise effected without the use of money. This has been admirably accomplished by means of the clearing-house. To this establishment each bank sends the checks upon other banks which have been paid in by its customers, so that a balance of these check transactions is struck for each bank with each of the others.

The balances due to or by each bank being thus ascertained at the Clearing House, the debtor bank in New York pays its balance in money. In London each debtor bank gives its check on the Bank of England, where the private banks keep accounts. In this way the balance is paid without using any money at all. This is effected simply by a transference of a certain amount from the credit of one bank to the credit of another, on the books of the Bank of England.

For the year ending April 30, 1875, the aggregate debts paid at the London clearing house without the use of any money was the enormous amount of £6,013,299,000. Mr. Hankey, former President of the Bank of England, says: "That all this has been effected without the use or employment of a single bank note, or one single sovereign."

In New York the currency exchanges of the year ending in October, 1875, amounted to $23,042,276,858.47; and the currency balance to $1,104,346,845.32. The gold exchanges amounted to

$108,940,058.85 and the gold balances to $18,284,429.61. Thus the total transactions of the year at the Clearing House amounted to $24,273,848,192.25, showing a daily average for the year of $79,326,301.28 of debts thus paid.

Clearing Houses have been established in Boston, Philadelphia, Baltimore and the other principal cities of the United States with useful and beneficial results.

THE PANIC OF 1873.

After the right to fund the greenback currency into 6 per cent. gold bonds was revoked in 1863, which rendered this currency irredeemable, credit became so expanded under the excessive issues of paper currency and other obligations during the war, that neither the banks, the Clearing House, nor any other human agency could restrain it within reasonable limits, especially under the vacillating course adopted by Congress. The *abuse* of credit became general in the creation of debts in all its forms—states, cities, counties, corporations, and individuals combined to swell the *paper bubble* until it finally burst in the great panic of 1873. The combination of the banks in the Clearing House in New York, exerted a most powerful influence in staying the calamity, and preventing the general suspension of all the banks. By an extra form of credit in the shape of clearing house certificates, they continued to pay and liquidate a very large amount of debts each day, without paying money for even resulting balances. The Clearing House Associations in other cities exerted a favorable influence in the same direction. The panicy feeling passed away in due time, and the banks again resumed their former mode of settling balances. The Temporary Clearing House certificates, improvised during the panic, were soon after redeemed and taken off the market.

REVIEW AND CONCLUSION.

The lesson taught by the experience of the last hundred years may, if rightly comprehended, be of great advantage in the future. It clearly shows that we need more stability in financial legislation—more statesmanship—less passion and political partisanship. We have been on a high wave of financial uncertainty too long. It affects in too many ways the industrial interests of the country. Upon a review of the banking and financial legislation of the nation from 1791 to the present time, we are struck with the changes

and uncertainty that has prevailed. In 1791, under the auspices of Washington and Hamilton, the first United States Bank was organized, to continue twenty years, with a capital of $10,000,000. After very careful examination and unusual deliberation, it was decided to base the bank upon the combined power of the government united to the private influence of its people; that the government and people had a common interest, and that the two interests combined in a national institution, was the best mode of carrying on the financial affairs of the country. Upon the organization of this bank, the finances were soon placed upon a specie basis, and the business of the country was steady and prosperous for nearly twenty years.

In 1811, this prosperous and useful institution was, by a very close vote in the Senate and House, refused a re-charter, and was obliged to wind up its affairs. This produced great confusion and uncertainty. The war with Great Britain from 1812 to 1815 added to the embarrassments, until, in 1816, the second bank of the United States was organized, with a capital of $35,000,000, upon the same principles as the first, to continue for twenty years. As soon as this bank got fairly into operation, order was again restored to the finances of the government, and specie payments were again resumed in all parts of the country. This restored prosperity again to the business of the country, which continued, with but little interruption, down to 1832, when President Jackson, by his veto, prevented a re-charter of this bank. The next year he illegally removed the government deposits, which led to a panic and general crash in 1837, which depressed all the industrial interests of the country for nearly six years.

The sub-treasury law was finally passed in 1846, which was found to be wholly inadequate to meet even the exigencies of the small war with Mexico, and still more so to meet the requirements of the great war of the rebellion. The State banks have always been unfavorably affected by the uncertainty that attended the financial legislation of the national government.

It is remarkable to notice how frequently many of the leading statesmen of the country have changed their minds on this question. James Madison, in 1791, led the opposition, in the House, to the charter of the first United States bank, and voted against the act. In 1816, he being then President, recommended the second United Sates bank, approved the bill, and afterwards said that

it was "essential for the interests of the community at large, as well as for the purposes of the treasury." Henry Clay, in 1811, voted against a renewal of the charter of the first bank, but afterwards changed his mind, and was a firm supporter of the second bank. Daniel Webster opposed the chartering of the second bank in 1816, but in 1830 he became its warm advocate.

In 1791, Thomas Jefferson gave a written opinion to President Washington against signing the first United States bank bill. Afterwards, and while he was President, the Territory of Louisiana having been acquired from France, he approved a bill to establish a *branch* of the same bank in the city of New Orleans.

General Jackson and Mr. Van Buren, in 1833, were very favorable to the State deposit banks, and in 1837, during the revulsion of that year, changed their minds and denounced them in very decided terms.

Many other similar cases might be named, of gentlemen, who, having become convinced of their error, did not hesitate to change their minds on this question, and it is highly creditable to them that they had the courage to do so.

The present national banking system—organized in the midst of civil revolution, and which could only be brought into existence under the pressure of a great public calamity, and amid the enthusiasm of the people determined to maintain the Union—has drawn to its support a very large majority of the banking capital of the country. Experience has shown that it is well adapted to the wants of American industry and progress; that it is a convenient and safe depository of the public funds which can easily be transferred to any part of the country without any of the machinery or expense of the sub-treasury, and that when more fully perfected will be adequate to meet the demands of our anomalous situation in war as well as in times of peace. That it is not perfect, is not the fault of those who originated it; that it is not perfected and the sub-treasury discontinued, is the fault of the government itself. Let the government return to its integrity, re-adopt, at a lower rate of interest, the funding of the greenbacks, or in the mode prescribed in Senator Sherman's act of last year, retire its over-due indebtedness in the recognized money of the commercial world, and the national banks will be ready to redeem their circulating notes in the same kind of money. Meantime they loyally await the action of Congress, and will be ready to redeem in law-

ful money, whether it be greenbacks or gold, whatever shall be recognized by the government for itself, and by it prescribed to the people as the legal standard of redemption.

The causes which led to the panic of 1873, were too deep and far-reaching to be easily got rid of or overcome. Debt and taxation are heavy burdens; defaulted railroad bonds lie dormant in safes and drawers; irredeemable paper money is still in excess; industry and production languish; Congress still vacillates and fails to settle the financial problem on a firm basis; the depression and stagnation in business which commenced in the panic of 1873, still continues, and is likely to continue until the finances are finally settled on a specie basis, the question removed from political agitation, and the business of the country allowed to resume its normal condition free from the excesses and demoralization of the war. Then will be the time to complete the history of the paper bubble, which has been so demoralizing for the last twelve years. I await that time with a good deal of anxiety, and trust that the day is not very distant when we shall reach solid bottom, and again commence another era of general prosperity.

APPENDIX.

FIRST BANKS ORGANIZED IN UNITED STATES.

In Vol III. of the American edition of the Edinburgh Cyclopedia published in 1813, the following table is given "to exhibit in one view the names of the Banks most deserving of notice, the time of their institution, and the amount of their capital." The table is not complete, but it shows the time in which the State Banking System was introduced in the different States.

Names.	Instituted.	Capital.
Bank of North America, Pa.,	1781	$ 400,000
Bank of New York,	1784	950,000
Massachusetts Bank, Boston,	1784	300,000
Bank of Maryland,	1790	300,000
Providence Bank, R. I.,	1791	400,000
Bank of Albany, N. Y.,	1792	260,000
Bank of South Carolina,	1792	640,000
Union Bank of Boston, Mass.,	1792	1,200,000
New Hampshire Bank,	1792	100,000
Bank of Alexandria, Va.,	1792	500,000
Hartford Bank. Conn,,	1792	930,000
Union Bank, N. London Conn.	1792	500,000
New Haven Bank, Conn.,	1792	400.000
Bank of Columbia, N. Y.,	1793	160,000
Bank of Columbia, D. C.,	1793	500,000
Bank of Pennsylvania,	1793	2,000,000
Bank of Nantucket, Mass.,	1795	100,000
Bank of Delaware,	1795	110,000
Bank of Baltimore. Md.,	1795	1,200,000
Middletown Bank, Conn.,	1795	400,000
Bank of Rhode Island,	1795	100,000
Norwich Bank, Conn.,	1796	200,000
Manhattan Bank, N. Y.,	1799	2,000,000
Portland Bank, Me.,	1799	300,000
Essex Bank, Salem, Mass.,	1799	300,000
Washington Bank, Westerly, R I.,	1800	50,000
Bank of Bristol. R. I.,	1800	120,000
Exchange Bank, Providence, R. I.,	1801	400,000
Farmers' Bank, Lansingburg, N. Y..	1801	75,000
State Bank of South Carolina,	1801	800,000
Maine Bank, Portland, Me.,	1802	300,000
New Hampshire Union Bank,	1802	200,000
Lin. and Ken. Bank, Wiscasset, Me.,	1802	200,000
Kentucky Insurance Company,	1802	150,000
Merchants' Bank, N. Y.,	1803	1,250,000
Bedford Bank at N. B., Mass.,	1803	150,000
New York State Bank,	1803	460,000
Newburyport Bank, Mass.,	1803	550,000
Saco Bank, Mass.,	1803	100,000
Albany Merchants' Company, N. Y.,	1803	25,000
Plymouth Bank, Mass.,	1803	100,000
Boston Bank, Mass.,	1803	1,000,000
Stafford Bank, Dover, Mass.,	1803	150,000
Philadelphia Bank, Pa.,	1803	2,000,000
Miami Exporting Company, Cincinnati, Ohio,	1803	200,000
Salem Bank, Mass.,	1803	200,000
Roger Williams' Bank, R. I.,	1803	150,000
Newport Bank, R. I.,	1803	120,000
Warren Bank, R. I.,	1803	68,000
Exeter Bank, N. H.,	——	200,000
Union Bank of Maryland,	1804	1,258,775
Bank of Cape Fear, N. C.,	1804	350,000
Bank of Newbern, N. C.,	1804	300,000
Newark Banking and Ins. Co. N. J.,	1804	225,000
Trenton Bank, N. J.,	1804	300,000
Hallowell and Augusta Bank, Me.,	1804	200,000
Worcester Bank. Mass ,	1804	150,000
Nantucket Pacific Bank, Mass.	1804	100,000
Marblehead Bank, Mass,	1804	100,000
Rhode Island Union Bank,	1804	150,000
Smithfield Union Bank, R. I.,	1805	50,000
Narragansett Bank, R I.,	1805	60,000
Rhode Island Central Bank,	1805	60,000
Bank of Virginia, Va.,	1805	1,500,000
Mechanics' Bank, Baltimore, Md.,	1806	1,000,000
Bank of Chillicothe, O.,	1806	100,000
Bridgeport Bank, Conn.,	1806	200,000
Derby Bank, Conn.,	1806	200,000
Bank of Kentucky,	1807	1,000,000
Bank of Nashville, Tenn.,	1807	500,000
Bank of Marietta, Ohio,	1807	100,000
Farmers' Bank of the State of Delaware,	1807	500,000
New Brunswick Bank, N. J.,	1807	150,000
Farmers' & Mechanics' Bank Pa.,	1807	1,250,000
Hagerstown Bank, Md.,	1807	250,000
Mohawk Bank, N. Y.,	1807	200,000
New London Bank, Conn.,	1807	200,000
Hudson Bank, N. Y.,	1808	300,000
Bank of Steubenville, Ohio,	1809	100,000
Chambersburgh Bank, Pa.,	1809	250,000
Commercial Bank, R. I.,	1809	50,000
State Bank of North Carolina,	1810	1,608,000
Commercial & Farmers' Bank of Baltimore, Md.,	1810	1,000,000
Farmers' & Merchants' Bank of Baltimore, Md.,	1810	500,000
Franklin Bank, of Baltimore, Md.,	1810	600,000
Marine Bank of Baltimore, Md.,	1810	600,000
Elkton Bank, Md.,	1810	300,000
Farmers' Bank of Lancaster, Pa.,	1810	300,000.
Mechanics' Bank, N. Y.,	1810	2,000,000

Names.	Instituted.	Capital.
Bank of Troy, N. Y.,	1811	500,000
Mechanics' & Farmers' Bank, Albany,	1811	600,000
State Bank at Boston, Mass.,	1811	2,000,000
Merchants' Bank at Salem, Mass.,	1811	200,000
Cumberland Bank of Allegany, Md.	1811	200,000
Bank of Newburgh, N. Y.,	1811	400,000
Farmers' Bank of Wor. and Som., Md.,	1811	200,000
Middle District Bank, N. Y.,	1811	500,000
Bank of New Orleans, La.,	1811	500,000
Union Bank, N. Y.,	1811	1,800,000
Eagle Bank, Conn,	111	750,000
Bank of America, N. Y.,	1812	2,000,000
City Bank, N. Y.,	1812	1,000,000
Farm & Mechanics' Bank of Cincinnati, O.,	1812	500,000
Bank of Muskingum, Zanesville, O.,	1812	100,000
Monongahela Bank, O.,	1812	250,000
New York Manufacturing Co, N. Y.,	1812	1,200,000

Names.	Instituted.	Capital.
Camden State Bank, N J.,	1812	800,000
Trenton " "	1812	800,000
New Brunswick State Bank, N. J.,	1812	400,000
Newark State Bank, N. J.,	1812	400,000
Elizabeth " "	1812	200,000
Morris " "	1812	200,000
Utica Bank, N. Y.,	1812	1,000,000
Pittsburg Manufacturing Co., Pa.,	1812	1,000,000
City Bank of Baltimore, Md.,	1812	1,500,000
Bank of Wilmington & Brandywine, Del.,	1812	120,000
Farmers' & Mechanics' Bank of Delaware,	1812	75,000
Commercial Bank of Delaware,	1812	200.000
Farmers' & Mechanics' Bank of Virginia,	1812	1,500,000
Savannah Bank, Ga.,	——	1,000,000
Union Bank, S. C ,	——	1,000,000
Planters' & Mechanics' Bank, S. C.,	——	1,200,000

NUMBER OF BANKS AND BANKERS IN THE UNITED STATES FROM THE BANKER'S ALMANAC AND REGISTER FOR 1876.

STATE.	BANKS. National.	Under State Charter.	Capital.	Savings.	Private Bankers.
Alabama	10	6	$1,600,000		19
Arkansas	2	1	200,000		10
Arizona					1
California	9	45	23,839,000	25	60
Colorado	11	5	380,000		22
Connecticut	81	14	2,700,000	81	17
Dacotah	1				6
Delaware	11	7	880,000		3
Dist. of Columbia	5	6	422,950		9
Florida	1				6
Georgia	13	31	16,336,700		41
Idaho	1				3
Illinois	146	23	6,111,000		282
Indiana	108	20	570,000		111
Iowa	84	32	1,776,900		186
Kansas	20	27	934,617		76
Kentucky	51	52	12,363,025		37
Louisiana	7	9	4,500,000		9
Maine	71	3	175,000	58	7
Maryland	31	24	4,408,714		26
Massachusetts	236	5	1,300,000	179	55
Michigan	80	30	2,285,000		122
Minnesota	35	14	500,200		40
Mississippi		8	685,00?		16
			81,968,106		

STATE.	BANKS. National.	Under State Charter.	Capital.	Savings.	Private Bankers.
Missouri	35	104	$14437,124		105
Montana	5				6
Nebraska	10	8	595.000		25
Nevada		2	150,000		18
New Hampshire	44	2	150,000	8	4
New Jersey	67	18	2,925,750	0	10
New Mexico	2				3
New York State	234	61	9,065,870	116	204
New York City	48	30	18,935,200	44	26
North Carolina	15	6	1,125,000		8
Ohio	176	35	1,207,500		237
Oregon	1				5
Pennsylvania	232	132	18,336,672		394
Rhode Island	62	16	3,727,880	37	5
South Carolina	12	8	1,875,000		19
Tennessee	26	15	1,400,000		12
Texas	10	16	2,225,000		80
Utah	2				6
Vermont	47	2	100,000	18	2
Virginia	20	49	4,168,567		30
West Virginia	17	14	856,000		7
Wisconsin	42	27	1,118,000		69
Wash. Territory					2
Wyoming	2				4
Forward			81,968,106		
			164 366,669		

		Capital.
Chartered State Banks	907	$164,366,669
National Banks	2,118	505,485,965
Savings Banks	666	
Private Bankers	2,375	
Total Banks and Bankers	6,066	

Mining Product[illegible]se Bullion, from 1848 to 1881.

YEAR.	Arizona.	TOTAL.
1852.....	.....	$59,500,000
1853.....	.....	68,500,000
1854.....	.....	64,500,000
1855.....	.....	59,600,000
1856.....	.....	63,700,000
1857.....	.....	61,600,000
1858.....	.....	59,500,000
1859.....	.....	59,800,000
1860.....	.....	54,000,000
1861.....	$ 100,000	54,400,000
1862.....	200,000	60,200,000
1863.....	150,000	65,450,000
1864.....	150,000	60,850,000
1865.....	200,000	60,500,000
1866.....	200,000	53,200,000
1867.....	300,000	54,800,000
1868.....	500,000	48,500,000
1869.....	1,000,000	48,200,000
1870.....	800,000	52,100,000
1871.....	800,000	53,800,000
1872.....	143,777	52,907,882
1873.....	47,778	62,163,782
1874.....	26,066	64,334,717
1875.....	109,093	66,829,987
1876.....	1,111,992	77,101,886
1877.....	2,388,622	83,374,101
1878.....	2,287,983	65,610,163
1879.....	1,942,403	51,804,566
1880.....	4,472,471	48,290,763
Total..... 1,	16,930,185	1,735,117,847

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The above table[illegible]

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